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FINANCIAL TIMES

World Business Newspaper http://www.FT.com

FRIDAY APRIL 30 1999

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how to spend it
colour magazine

The seamstress, the fixers, the cook and his chicken

Insurers risk California ban over Holocaust

State regulators threaten to suspend more than 100 European companies

By John Authers in New York and Avi Machlis in Jerusalem

Californian regulators have threatened to suspend the business licences of more than 100 European insurers if they do not provide information on their payment of Holocaust victims' insurance policies by May 12.

A group of Californian politicians, from both the Democratic and Republican parties, will publicise the threat at a press conference today in an effort to persuade European insurers to join an international commission trying to reach a global settlement of unpaid Holocaust-era insurance claims. The commission, chaired by former US secretary of state Lawrence Eagleburger, will meet in London next week.

These moves follow calls for sanctions in California, led by Tom Hayden, a Democratic state senator. Mr Eagleburger last week described Mr Hayden's campaign as "pure political posturing".

The Los Angeles-based Simon Wiesenthal Centre will also try to increase pressure on Italian insurer Generali, by introducing two Californian Holocaust survivors who hold unpaid insurance policies from the company.

Five large European insurers – Generali, Allianz of Germany, Axa of France and Winterthur and Zurich of Switzerland – are already members of the commission, but Holocaust survivors believe other European insurers also have unpaid policies.

The companies now being investigated by California include Munich Re, the second largest German insurer after Allianz, and several large insurers which operate in former Soviet bloc countries.

Chuck Quackenbush, California's insurance commissioner, has sent a letter to Munich Re, pointing to a Californian state law which empowers him to suspend an insurer's certificate if it has failed to pay any valid claim from Holocaust survivors.

He said similar letters were being sent to "hundreds" of other companies.

The letter asks Munich Re to tell Mr Quackenbush no later than May 12 whether it issued any policies which would be covered by the law and whether it will voluntarily participate in Mr Eagleburger's commission. If the company does not meet the deadline, Mr Quackenbush says he may be "compelled" to exercise his powers under the law.

Munich Re could not be contacted for comment yesterday.

Mr Quackenbush, a Republican elected last year to his post, stressed that Californian politicians were united. He will be joined at today's press conference in Los Angeles by the state's governor, treasurer and attorney general, who are all Democrats, and by legislators from both parties.

He said: "My goal is to get as many of these companies under the auspices of the commission at the same time as I can. I want this commission to work. But if it doesn't, I have responsibilities to policyholders in my state."

Bobby Brown, the Israeli prime minister's adviser on diaspora affairs and a commission delegate said: "At this point, as long as we believe that the negotiations and discussions are in good faith, those companies that have joined the commission should be given the benefit of finding a solution in a peaceful and unobtrusive way."

Russian envoy Victor Chernomyrdin and German chancellor Gerhard Schröder after talks in Bonn yesterday on the crisis in Kosovo. Mr Schröder said the Nato and Russian positions on Kosovo had grown "nearer". Report, Page 20 AP

Labour costs in US rise at slowest rate in two decades

By Gerard Baker and Gautam Malkani in Washington

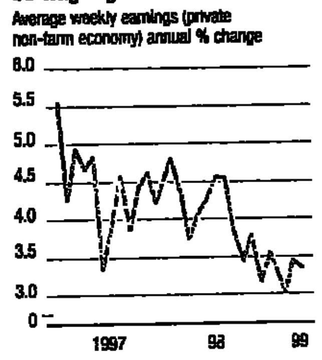
US labour costs rose at their slowest rate in nearly two decades in the first quarter, in spite of the lowest unemployment rate in nearly 30 years.

The figures show the economy enjoying a virtually unprecedented combination of strengthening demand for labour and declining wage pressures, and they are likely to intensify the debate about whether old measures of economic performance still apply.

The US Labor Department reported yesterday that the employment cost index, which measures all labour-related costs, rose by a seasonally adjusted 0.4 per cent in the first quarter.

That was the lowest figure since the department began compiling the statistics in 1982. In the year to March, total labour costs increased by just 3 per cent, indicating a deceleration in wage costs from the previous year when employment costs rose by 3.3 per cent.

US wages growth
Average weekly earnings (private non-farm economy) annual % change



Source: Datastream/ICV

Financial markets leapt following news of the report. Most analysts saw it as further evidence that the Federal Reserve was under no pressure to raise interest rates in spite of the strong growth of the past three years.

"For the Federal Reserve it means there's no reason for them to act. There's no inflation out there. Our forecast is that the Fed will remain on hold through the end of 2000," said Gerald Cohen, senior economist at Merrill Lynch, the New York investment bank.

Economists hailed the figures as yet more evidence that the old rules that seemed to govern the economy had been demolished.

"It's back to the drawing board for the NAIRU [non-accelerating inflation rate of unemployment] advocates," said David Greenlaw of Morgan Stanley Dean Witter in New York.

The NAIRU, a longstanding tool of economic analysis, says wage pressures accelerate as unemployment falls below a critical level, once thought to be around 5.5 per cent.

Some Fed officials have indicated recently that the traditional relationships between unemployment and inflation may have broken down. A number of economists argue that the continuing ideal conditions are the result of productivity gains at US companies in the past few years, which have all but vanquished inflation.

All this has occurred as the unemployment rate has dropped to 4.2 per cent, its lowest in 29 years.

WORLD NEWS

South Korea to investigate Hyundai fund over 'misuse'

South Korea is to investigate a popular equity fund managed by Hyundai, the nation's largest conglomerate, for possible misuse of funds. The decision was partly responsible for a 4.7 per cent fall in the Seoul share index yesterday to 752.61 points. **Page 20**

German tax faces overhaul
A special committee of experts will reveal suggestions today to overhaul Germany's creaking corporate tax system against a background of harsh criticism from industry and judicial rulings that might complicate plans. **Europe, Page 3**

Doubts over hedge fund rules
The US Congress gave a lukewarm reception to proposals by the Clinton administration to toughen the regulation of hedge funds and other highly leveraged financial institutions. **US, Page 3**

New euro clearing system planned
The Euro Banking Association is to start developing a low-value payment system to handle small cross-border payments throughout the EU. **Europe, Page 3**

Russia struggles over IMF terms
The Kremlin will struggle to implement the banking and taxation reforms that the International Monetary Fund is demanding for release of $4.5bn in loans it has agreed to make to Russia over the next 18 months. **Europe, Page 2; Editorial Comment, Page 19**

UK party leader under attack
A campaign to oust William Hague as leader of the British Conservative Party and replace him with Kenneth Clarke, a former senior Conservative minister, is being launched by the Pro Euro Conservative party, a new group formed by defectors. **Britain, Page 7**

Iraq says 24 injured in attacks
Iraq said 24 people were injured when Western aircraft attacked civilian installations and weapons sites in the north and south of the country yesterday. The official Iraqi News Agency said 20 people were injured in Mosul and a further four people were injured in southern Iraq.

Call for Palestinian funds probe
The European Parliament is demanding an investigation into the allocation and management of European Commission funds to the Palestinian-controlled areas of the West Bank and Gaza. **International, Page 6**

Trade cover insurance rises
The value of new credit insurance cover provided by the world's leading export credit agencies rose 8 per cent last year, in spite of turmoil in many markets. **World Trade, Page 6**

BUSINESS NEWS

Liffe in last ditch move to have US ban overturned

London's futures exchange, whose Frankfurt-based rival Eurex has screens in the US under a 1996 deal, is to apply for a waiver on a regulation banning foreign exchanges from operating in the US in a last ditch attempt to overcome "discrimination". **Companies and Markets, Page 21**

MCI WorldCom, US carrier of internet traffic, revealed a first quarter growth in communications activities of 17 per cent to $7.9bn. **Companies and Markets, Page 21**

United News & Media, UK television and publishing group, launched a recommended $920m offer for CMP Media, a US technology media company. **Companies and Markets, Page 21; Lex, Page 20; Editorial Comment, Page 19**

Endesa Chile, electricity generator, was set to be at the fore of a legal battle over a government decision to suspend sale of control of the company to Endesa of Spain. **America, Page 3**

UPM-Kymmene and Metsä-Serla of Finland, and AssiDomän of Sweden, three of Europe's largest forest product companies, reported falls in first quarter profits, underlining the weakness in demand for paper products. **Europe Companies, Page 26**

Siam Commercial Bank, Thailand's fourth largest commercial bank, completed a landmark $1.75bn capital raising scheme. **Companies and Markets, Page 21; Lex, Page 20**
Lifeline for banking, Page 27

Boeing, US aerospace group, was in talks to take control of Ellipso, a hand-held satellite mobile telephone group for $500m. **Companies and Markets, Page 21**

SAirGroup, parent of Swissair, is taking a 10 per cent stake in Panalpina, Europe's biggest airfreight broker, and setting up the first fully integrated door-to-door air cargo operation with annual revenues of SFr800m a year. **Europe Companies, Page 24**

BASF and Hoechst, European pharmaceutical and chemical makers, reported declining first quarter sales and profits. **Europe Companies, Page 24**

SEB, Swedish lender, reported a modest increase in underlying first quarter profits from SKr1.52bn to SKr1.63bn. **Europe Companies, Page 24**

Lex on Amazon.com
Asking investors to take a lot on trust
Page 20

Investor warns Volvo off Scania in Swedish truck shares battle

By Tim Burt in Stockholm

Investor, the main vehicle for Sweden's Wallenberg business empire, has launched an attack on Volvo following the Swedish automotive group's decision to increase its hostile stake in Scania, the Investor-controlled heavy truck manufacturer.

Volvo stepped up its pursuit of Scania this week by lifting its stake to almost 14 per cent and signalling an intention to acquire more than 20 per cent of its Swedish rival.

Investor, dismayed when Volvo acquired 12.8 per cent of Scania in January, condemned Volvo's latest move and reiterated it would seek an independent future for the heavy truck group.

"Having the strongest competitor as one of the largest owners is, in the long run, totally unacceptable for Scania," said Marcus Wallenberg, Investor chief executive and a Scania board member. He described Volvo's tactics as "damaging and profoundly unfortunate for both companies".

Although he said Scania was open to collaboration in the rapidly consolidating automotive industry, Mr Wallenberg signalled that Volvo would not be its preferred partner. Volkswagen and Fiat have been named as potential allies. Volvo, meanwhile, rejected calls from Investor to sell its Scania stake and hinted it would go on buying shares in the market. There is thought to have been active trading in Scania warrants, which if fully exercised before June would reduce Investor's control of Scania's share capital from 45.5 per cent to 19.6 per cent.

Volvo has made no secret of its ambition to expand in trucks following the SKr50bn ($6.25bn) disposal of its car division to Ford of the US last month. If it acquired more than 20 per cent of Scania, Volvo could treat it as an associate for dividend purposes – the dividends would be tax-free if the stake exceeded 25 per cent.

Investor and Volvo broke off talks on a possible offer for Scania this year after failing to agree on a valuation. Investor thought Scania was worth at least SKr270 a share, excluding any bid premium or synergy savings. Including such a premium, it might be worth up to SKr350 a share, equivalent to SKr70bn.

Volvo balked, particularly given Scania's modest share performance since being floated at SKr180 a share in 1996. Since Volvo acquired its stake, the most traded B shares have climbed steadily and yesterday rose SKr9 to SKr230.

Observer, Page 19

WORLD MARKETS

STOCK MARKET INDICES		
New York lunchtime		
Dow Jones Ind Av	10876.66	(+31.21)
NASDAQ Composite	2507.65	(-42.72)
Europe and Far East		
CAC40	4371.53	(-3.17)
DAX	5394.42	(-14.19)
FTSE 100	6497.6	(-101.2)
FTSE Eurotop 300	1316.25	(-10.79)
Nikkei	closed	
US LUNCHTIME RATES		
Federal Funds	4.9375%	
3-mth Treas Bills: Yld	4.50%	
Long Bond	96½	
Yield	5.53%	
OTHER RATES		
UK: 3-mo Interbank	5¼%	(same)
UK: 10 yr Gilt	110.02	(110.07)
Euro Euribor	2.585%	(2.558%)
Germany: 10 yr Bund	99.40	(99.45)
Japan: 10 yr JGB	104.149	(same)
OIL (IPE)		
Brent (Jun)	$16.45	(16.4)

GOLD		
New York Comex	$286.2	(282.9)
London	$283.55	(283.25)
DOLLAR		
New York lunchtime		
£	1.6107	
€	0.9434	
SFr	1.5173	
Y	119.145	
London		
£	1.6114	(1.6151)
€	0.9442	(0.9405)
SFr	1.5189	(1.5124)
Y	119.125	(119.155)
Tokyo		closed
EURO (London)		
$	1.0591	(1.0633)
£	0.6575	(0.6583)
Y	126.165	(126.898)
SFr	1.6087	(1.6082)

London · Leeds · Paris · Frankfurt · Stockholm · Milan · Madrid · New York
Chicago · Los Angeles · Tokyo · Hong Kong

Euro-zone target price €2.15. Prices in local currency as shown

Bahrain	Din1.300	Iceland	IKr285	Oman	OR1.75
Belgium	BFr90(€2.23)	Italy	L3900(€2.01)	Poland	Zl 10.00
CIS	US$4.00	Jordan	JD1.75	Portugal	Esc320(€1.60)
Croatia	Kn19.00	Kuwait	KWD0.750	Qatar	QR13.00
Denmark	DKr16.00	Latvia	Ls1.85	South Africa	R16
Estonia	EKr34.00	Lithuania	Lt21.00	Spain	Pta325(€1.95)
Finland	Fmk13.00(€2.19)	Lebanon	LBP5,500	Sweden	SKr20.00
France	FFr14.00(€2.13)	Luxembourg	LFr90(€2.23)	Switzerland	SFr3.50
Gibraltar	£0.85	Morocco	Dh18.00	Syria	S£80.00
Greece	Dr500	Netherlands	Fl 4.80(€2.18)	Tunisia	Din2.000
Hungary	Ft320	Norway	NKr19.00	UAE	Dh13.00

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WAR IN EUROPE FEARS GROW OF INSTABILITY IN SOFIA AND PODGORICA ■ NOTION OF GROWING SERB DISSENT VIEWED AS MISTAKEN ■ WARNINGS OVER WAR'S FINANCIAL IMPLICATIONS

Opposition to war rises in Bulgaria

By Kerin Hope in Athens

Bulgaria's pro-western government yesterday faced mounting opposition to Nato's air campaign against Yugoslavia after an anti-radar missile strayed off-course and damaged a house in the capital Sofia.

The opposition Socialist party stormed out of parliament when deputies from the governing centre-right coalition refused to summon Ivan Kostov, the prime minister, to answer questions about the incident.

The missile, which Nato acknowledged as one of its own, demolished the roof of a house in the Gorna Banya suburb on Wednesday night, but there were no injuries. Bulgarian radio stations said that a child was being treated in hospital for shock.

Bulgaria's parliament is to approve in the next few days a cabinet decision to open the country's air space to Nato aircraft, in return for a temporary security guarantee from the alliance.

Like Albania and Macedonia, its south Balkans neighbours, Bulgaria wants to exploit the opportunity of the Kosovo war to accelerate its application for Nato membership. It has backed Nato's proposals for an oil embargo against Yugoslavia.

Analysts in Sofia said the decision was unlikely to be overturned, as Mr Kostov's coalition has a strong majority. "Political stability isn't at risk. But the missile incident will widen the gap between the government and public opinion, which is strongly against becoming involved in a Balkan war," a western analyst said.

Several missiles have landed in Bulgaria without causing damage since Nato aircraft started bombing targets in southern Serbia. Concern is growing that Sofia, only 45km from Bulgaria's border with Serbia, may be caught in the crossfire if air strikes are launched from Bulgarian airspace.

Alexander Tomov, head of the pro-western Euroleft party, said: "People are becoming very frightened because we're so near Serbia. They are against [Yugoslav President Slobodan] Milosevic's policy of ethnic cleansing in Kosovo, but most believe Bulgaria should stay out of the war."

More than 65 per cent of Bulgarians are opposed to Nato's bombardment of Yugoslavia, according to opinion polls. While relations are cool between Serbia and Bulgaria, the Kosovo war is expected to take a heavy economic toll.

Three-quarters of Bulgaria's exports to Europe went by truck through Serbia or along the Danube river, which is blocked by debris from bridges destroyed in the air strikes in Serbia.

Sergei Stanishev, a Socialist party official, said: "In popular opinion, there's not much affinity with the Serbs. We fought them in four wars over the past century. But we still have to go on living with them as neighbours."

Claims of Belgrade rifts dismissed

By Guy Dinmore in Rome

Nato's belief that the recent sacking of Vuk Draskovic from the government in Belgrade has revealed divisions within the Yugoslav regime and budding popular dissent is badly mistaken, according to analysts in Belgrade.

Mr Draskovic, removed on Wednesday as deputy prime minister after proposing a United Nations-led peacekeeping force for Kosovo province, had never been close to the president's "inner circle". Analysts said he had wielded no authority and was only brought out of opposition and into the government in January.

There was, however, concern in the government when Mr Draskovic's outspoken interviews – to foreign reporters and on his own party-controlled television station – began to encourage other opposition figures to break their silence and speak out.

Robin Cook, the British foreign secretary, yesterday challenged Slobodan Milosevic, Yugoslav president, to air a "startlingly frank" interview given to the BBC by Vuk Obradovic, a former general and leader of the small opposition Social Democratic party. The interview was censored by the Yugoslav military.

Clare Short, Britain's international development minister, said the sacking of Mr Draskovic, a western-leaning moderate, was a good sign because it showed a "massive crack in the government". Nato on Wednesday had spoken of "green shoots" of democracy emerging in Serbia.

But analysts noted that Mr Draskovic and Mr Obradovic had run a distant third and fourth in elections for the Serbian presidency in 1997, coming far behind Vojislav Seselj, an extreme nationalist, who is now also in government, and the eventual winner, Milan Milutinovic, of Mr Milosevic's ruling Serbian Socialist party.

Mr Draskovic, one of the main leaders of anti-Milosevic protests in the winter of 1996-97, alienated many of his supporters when he joined the coalition government this year. "He may see himself as an eventual successor to Milosevic but I believe he is finished politically," said one former follower of Mr Draskovic's monarchist Serbian Renewal Movement.

Although in Belgrade there are some figures among the intelligentsia ready to criticise both the regime and Nato, outside the capital, Mr Milosevic has boosted his popular following. One opposition figure said he was being likened to Prince Lazar, the Serb hero who died fighting for Kosovo against the Turks in 1389.

Analysts said Nato and the western powers had failed to come to grips with the realities of the cut-throat nature of Serbian politics. A similar error of judgment was made at the start of the air campaign, when US officials in particular assumed Mr Milosevic would back down after just a few days of bombing.

In reality, the powerful bosses of industry and politics see their survival as dependent on that of Mr Milosevic and know they have no future should he be removed.

By contrast, the various small, western-oriented, democratic parties are weak, fragmented and unable to come up with a joint platform on Kosovo. Overriding the political divide is the common sense of fear.

Vujanovic urges economic support

By Kevin Done in Podgorica

Nato's growing bombing campaign in Montenegro is destroying the economy and playing into the hands of Slobodan Milosevic, Yugoslav president, said the prime minister of the small, pro-western republic yesterday.

As Montenegro suffered its first civilian casualty from the Nato air strikes, Filip Vujanovic appealed to Nato to stop the bombing and abort plans for a blockade of oil imports to the republic.

The air strikes – of which there were at least three more waves yesterday – was "making it very difficult to explain to the population that we have the support of the international community," Mr Vujanovic told the FT. "Nato should do everything to exclude Montenegro from the bombing."

Vojin Djukanovic, economy minister, called for immediate economic support from western governments.

"We must very soon have economic help, given the state of the economy and with 100,000 refugees in the country," said Mr Djukanovic. "If we do not get this help soon, the whole system in Montenegro will collapse."

Montenegro, which has a population of only 650,000, is already sheltering an estimated 65,000 refugees from Kosovo and 30,000 from the earlier war in neighbouring Bosnia-Hercegovina.

Around 40 per cent of the workforce is unemployed, said Mr Djukanovic. The port of Bar, which had already been working at around 50 per cent of capacity before the bombing, was now operating "at almost nothing, 5 to 10 per cent of capacity perhaps".

Tourism, which has traditionally been a large source of employment, had been "devastated". The steel plant at Niksic was operating at only 30 per cent of capacity and soon would have to halt production because of the bombing of its railway supply routes.

The contract processing of shoes and textiles in Montenegro for companies mainly in Italy and Germany had been stopped, as had most exports from the wood processing industry.

Mr Djukanovic – no relation to President Milo Djukanovic – said if Nato enforced its planned oil embargo on the republic's ports, "it would be the end of Montenegro. It would cause a change of government, bring the collapse of the economy and would be a humanitarian catastrophe". An oil embargo "would strengthen the forces of Slobodan Milosevic and could even provoke civil war there. That would be the worst result, no one can be interested in a civil war here".

Montenegro is dependent for its oil supplies on the imports of oil products through its main port of Bar, which accounts for 90 per cent of incoming shipments. The remaining 10 per cent is imported through the small port of Lipci in the Bay of Kotor, the base of the Yugoslav navy.

"We want to enter Europe and to realise reforms, but we have many obstacles placed by Europe," Mr Djukanovic said.

Governments turn their attention to cost of conflict

Concern is rising over how countries and organisations will divide the bill, write **James Blitz** and **Andrew Balls**

More than a month after the start of the Yugoslav war, western governments are increasingly turning their attention to its financial implications.

The human cost of the conflict remains at the forefront of public attention, of course. But in recent days, senior officials from Nato governments, the European Commission and the International Monetary Fund have issued warnings about its potential economic consequences.

The war has a financial impact in three ways: the cost to Nato member states of the bombardment against Serbia; the impact of the bombardment on the economies of the Balkans and nearby European Union countries; and the cost of protecting refugees and rebuilding the economy of Serbia and neighbouring states. It is the last of these three consequences that is of the greatest concern.

For now, the cost of Operation Allied Force remains of only moderate worry to Nato states. The US is providing two-thirds of the aircraft and most of the cruise missiles used in the operation. It has spent around $1bn since the air strikes began on March 24. Congress this week voted for a $12.9bn package that would allow the US to continue the operation for much of the rest of the year. But the US has a $111bn budget surplus this year and is well capable of embracing these costs.

Financial markets also seem largely untroubled by the burden the war is placing on national budgets. The euro has dropped in value by around 3.5 per cent since the conflict began, but this has been largely due to worries about European economic growth.

"The financial markets do not seem to have taken the cost of the war to governments very seriously, as can be seen from the failure of European bond yields to widen," says Paul Meggyesi, currency strategist at Deutsche Bank in London.

If the war lasts beyond the summer, however, problems could arise.

First, funding might become a matter of concern to European governments, many of which must maintain tight budgets under the terms of Europe's growth and stability pact.

According to 4Cast, a London-based economics consultancy, a protracted war involving a ground invasion could amount to an overall burden of around $32bn for the 19 Nato states. The consultancy points out that this is still just 0.2 per cent of Nato's combined $17,000bn gross domestic product and well below the $102bn overall cost of the 1991 Gulf war.

But the budgets of some euro-zone countries – such as France and Italy – are close to the stability pact's 3 per cent ceiling. For these countries, much could depend on how the costs of the operation are divided up once the war was over.

"Nato has not yet decided whether costs should be shared equally or whether some of the burden should be paid by those states that have not directly participated in the operation," said one UK official this week.

Moreover, failure to resolve the war by the summer would raise concerns about the future of the half million Kosovar refugees in Albania and Montenegro, thousands of whom are living in makeshift tents.

The Italian government, which has set aside L250bn (€129m, $137m) providing refugee protection, is becoming increasingly concerned about this. "The cost of protecting the refugees would be astronomic if the conflict were to go into the second half of the year," said Antonio Fazio, Bank of Italy governor. "In Albania and Macedonia, people won't survive in tents."

The second area of concern is the impact on the European economy. The World Bank and the IMF warned this week that Albania, Bosnia-Hercegovina, Bulgaria, Croatia, Macedonia and Romania would all face severe macro-economic consequences from the conflict, with a collective balance of payments gap of around $1.5bn.

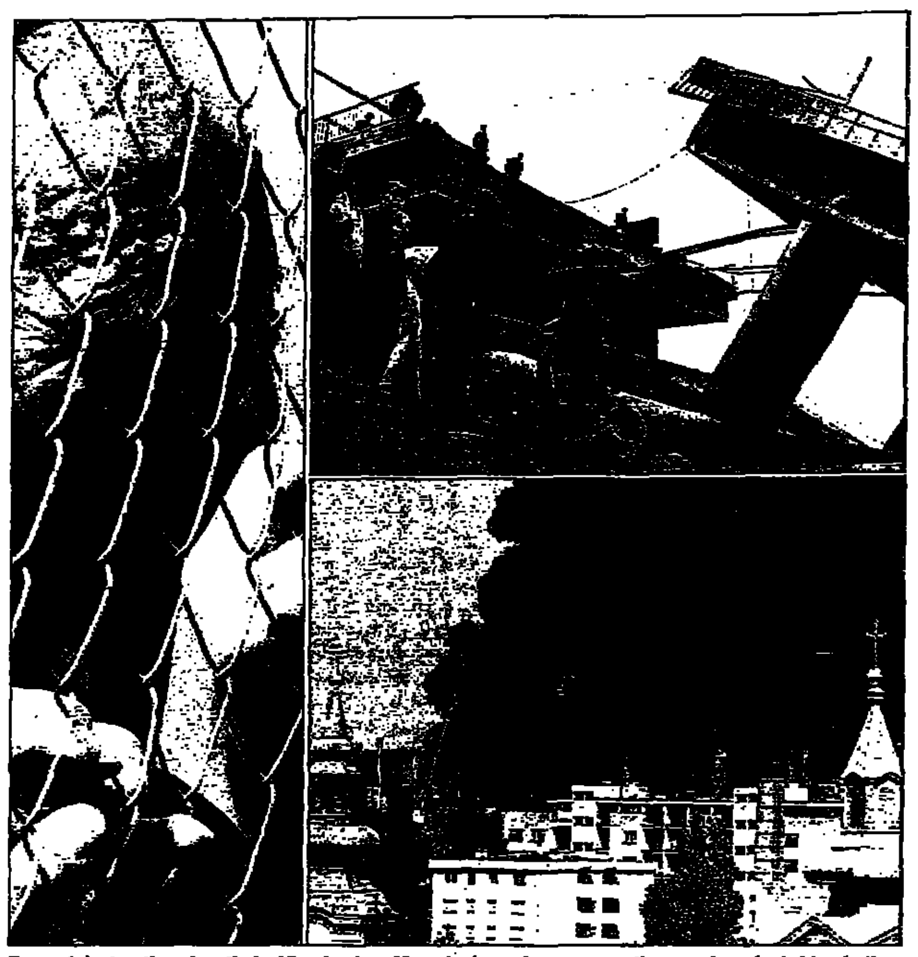
Some EU governments, notably Italy, are also expressing worries about the impact of the war on their economies. Mr Fazio again warns it could take up to 0.2 percentage points off his country's GDP this year because of the dampening effect on tourism and the closure of some Italian airports. In a year that is already seeing Italy's economy slow down, Italian officials barely disguise their worries.

However, it is the cost of rebuilding Serbia and parts of the Balkan region after the conflict is over that is mainly worrying policy-makers.

The war has already seen severe damage to Yugoslavia's infrastructure, including the petro-chemical plant at Pancevo, the petrol refinery at Novi Sad and part of the Telecom Serbia telephone network.

The European Commission estimates the cost of post-war economic reconstruction in the Balkans would be around $30bn. The Yugoslav authorities have put the figure at $100bn. In any event, the IMF is reported to believe that the overall cost of rebuilding the region will double if the conflict goes on beyond the summer. At some stage, worries will grow about which countries and international organisations pick up the bill.

Alan Beattie in London and Deborah MacGregor in Washington contributed to this report.



Face of destruction: An ethnic Albanian in a Macedonian refugee camp, the remains of a bridge in the Serbian city of Novi Sad and the smoke of a burning oil refinery over Novi Sad Reuters/AP

KOSOVO UPDATE

Milosevic files suit on strikes

Yugoslavia asked the United Nations' World Court to rule that Nato air attacks on its territory are unlawful. The US, one of 10 states named in the papers filed yesterday morning, called the suit "absurd and frivolous".

Schröder to visit Albania

Gerhard Schröder, German chancellor, agreed to visit Albania and said the country needed generous assistance to maintain its internal stability following an influx of over 350,000 Kosovo Albanian refugees.

"This is why there should be really generous help for Albania," said Mr Schröder after a meeting with Pandeli Majko, Albanian prime minister. Albania, together with Macedonia, has so far been granted some €250m ($265m) of aid from the EU, a sum seen as inadequate. No date has been set for Mr Schröder's visit.

UK sends more warplanes

Britain said it was sending eight more warplanes to beef up Nato air strikes on Yugoslavia. George Robertson, defence secretary, said four more Harrier jump-jets and four more Tornado GR-1 bombers would be sent. This boosts the British contribution to 28 aircraft as Nato bombing enters a seventh week. Nato has said it will soon have more than 1,000 aircraft taking part in the air campaign.

Romania to join EU oil embargo

The Romanian government said starting next week it would observe an EU-approved fuel embargo on Yugoslavia. The EU has appealed to Cyprus and 11 eastern European nations who are seeking membership to join the embargo, which is meant to choke off oil for the Yugoslav war machine.

According to Bulgarian customs officials, Serb tanker convoys on the Danube River have been carrying crude oil downstream to Romanian refineries for processing and returning with fuel, Bulgaria's state-run BTA news agency reported.

Jesse Jackson starts mission

Jesse Jackson arrived in the Balkans on a mission to win freedom for three captured US soldiers. He and members of his delegation of religious leaders hope to meet Yugoslav President Slobodan Milosevic as well as the prisoners.

Attack on Nato states over refugees

By Haig Simonian in Berlin

A leading member of Germany's ruling Social Democratic party has attacked some of Bonn's closest Nato partners for not taking in enough refugees from Kosovo.

Peter Struck, the SPD parliamentary leader, said it was "incredible" France and the UK had accepted relatively few refugees at a time when Germany had committed itself to housing 10,000 victims of the fighting.

"We have completely fulfilled our obligations and expect the other European Union nations to follow suit," Mr Struck said in a report in the Bild newspaper.

Gerhard Schröder, chancellor, and Otto Schily, interior minister, have recently expressed concern about the failure of some EU countries to live up to commitments made last month to house Kosovo refugees. Neither politician, however, has singled out individual EU members for criticism.

Germany, which accepted the biggest contingent of refugees, has also been one of the first countries to organise relief flights. A first batch of refugees arrived in Bavaria some weeks ago, followed by regular flights to other parts of the country.

EU countries have offered to house up to 44,000 refugees. However, Germany says that only 12,000 refugees have been taken in – of which 10,000 have found shelter in Germany.

"We can't talk about taking in any more refugees until the other European states fulfil their pledges," said Mr Struck.

Germany, a haven for war-zone refugees in recent years, took in 350,000 people fleeing the 1992-95 war in Bosnia-Hercegovina.

Separately, Günther Beckstein, the Bavarian interior minister, criticised Austria for failing to fulfil its promise to house 5,000 refugees. He said only 1,000 had been housed in Austria so far.

Mr Beckstein turned down calls from some of his counterparts, such as Richard Dewes, the Thuringian interior minister, that Germany should accept a further 50,000 refugees.

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Russia faces struggle to pass reforms demanded by IMF

By Jeanne Whalen in Moscow

The Kremlin will struggle to implement the banking and taxation reforms that the International Monetary Fund is demanding for release of $4.5bn in loans it has agreed to make to Russia over the next 18 months.

Lending could begin after the next IMF executive board meeting in July and is likely to be part of a $7.8bn package including funds from the World Bank and Japanese government. Moscow has been desperate to repair its relations with lenders since they froze funds last August following the financial crash.

Pushing the controversial reforms through parliament by July will be no small feat, not least because the legislature on May 13 will begin debate on the possible impeachment of President Boris Yeltsin.

According to Alexander Zhukov, head of the Duma's budget committee, the IMF is asking for legal action in five areas: passage of a new bank restructuring law; improvement of an existing law on bank bankruptcies; raising of excise taxes on alcohol and petrol; raising of the value added tax to 20 per cent; and relaxing restrictions on foreign exchange.

Deputies, who face an election in December, are sure to fight the increase in excise taxes because it would cause unpopular growth in consumer prices, Mr Zhukov said. Legislators' close ties to powerful bankers could also thwart any measures to expedite the bankruptcy or restructuring of Russia's insolvent banks.

Michel Camdessus, managing director of the IMF, on Wednesday said the Fund would disburse about $3bn over the first twelve months, which, combined with funds from other lenders, would be just enough to cover Russia's payment obligations to the IMF of $4.9bn for the twelve-month period beginning July 1.

The money, however, will in effect be shifted from one IMF pocket to another, never being remitted to Russia. "The IMF programme is tight – it's a lot of reforms and very little money," said Peter Boone, head of research at Brunswick Warburg in Moscow. Even if the reforms are passed, the IMF package will not help Russia meet steep foreign debt payments of roughly $1.4bn in May and June. Russia will have to pay an additional $1.3bn in July – mostly to the IMF – if the new programme is not approved.

The new loans are also contingent on the results of a central bank audit that the Fund requested after Russia admitted it had used a shell company based in the British Channel Islands to manage central bank reserves.

See Editorial Comment

Nuclear doctrine changes

By John Thornhill in Moscow

Russia announced yesterday it would put more emphasis on developing tactical nuclear weapons in framing its national security needs up to 2010. The move signals Moscow may be preparing to lower the threshold for using nuclear weapons to battlefield situations.

In a theatrical move, President Boris Yeltsin chaired a meeting of the security council and agreed three documents outlining Russia's nuclear defence priorities. In front of television cameras, Mr Yeltsin swore the members of the security council to total secrecy.

But later, Vladimir Putin, head of the FSB, the internal security service, said the security council had adopted a new concept for developing and using non-strategic nuclear weapons. It had also discussed ways of guaranteeing control of the country's nuclear arsenal and ensuring the social welfare of workers in this field. Mr Putin stressed the meeting had no connection with events in Yugoslavia.

Nevertheless, Sergei Markov, a professor of politics at Moscow State University, said the security council meeting served a clear propaganda purpose. "The Russian elite wants to send a message to Nato: 'Do not believe that you will be able to treat us as you have treated Yugoslavia'."

The Izvestiya newspaper speculated there might be a rebalancing of Russia's nuclear forces away from strategic missiles towards battlefield systems. The emphasis would be on developing short-range nuclear rockets and artillery shells with a range of less than 40km. But Russia might also rebalance its triad of strategic weapons systems. At present, 65 per cent of Russia's strategic nuclear warheads are carried by intercontinental ballistic missiles, 25 per cent by submarines, and 10 per cent by heavy bombers, Izvestiya said.

Roman Popkovich, head of the parliamentary defence committee, argued Russia should adopt a new military doctrine reserving the right for first use of nuclear weapons. Germany and Canada have recently been pressing Nato to rule out the first use of nuclear weapons because the balance of conventional forces in Europe has changed to such an extent that Nato should no longer fear a mass invasion by Russia.

CORPORATE BURDEN OPTIONS FOR REFORM

German tax overhaul to be unveiled

By Haig Simonian in Berlin

A special committee of experts will reveal today suggestions to overhaul Germany's creaking corporate tax system against a background of harsh criticism from industry and judicial rulings that might further complicate the government's plans.

With company tax levels of up to 60 per cent, reform has long been on the agenda.

Many observers argue high domestic taxes have forced German groups to invest abroad and acted as a disincentive to outside investment in Germany.

When the new government took power in October, reducing the burden, especially on the small and middle sized companies that form the backbone of the economy, was a crucial part of the coalition programme to bolster the economy and create jobs.

In their pact, the Social Democrats (SPD) and environmentalist Greens agreed to cut company tax to 35 per cent.

More controversially, they said the reforms – to be broadly self-financing – would include eliminating many of the tax breaks which have enabled Germany's biggest companies to lower their tax bills to more internationally competitive levels.

However, while the government has closed many of the loopholes it has, as yet, done little to alleviate the overall burden on business.

Today's report will set out ways the government's aims can be reached.

The committee of academics, industry representatives and local government tax experts will not offer a single strategy but propose various options, which will in turn receive more detailed analysis.

However, the committee's efforts have, in recent weeks, been overshadowed by broader political and judicial events.

First, Oskar Lafontaine, the fiery SPD finance minister who proposed the study, resigned to be replaced by the more pragmatic Hans Eichel.

Mr Eichel shares his predecessor's and his party's interest in eliminating loopholes for big companies and stimulating investment among smaller ones.

But since taking office, his focus has been on reducing the yawning budget deficit.

"The budget, the budget and the budget are his priorities right now," says an official.

Matters have been further complicated by a number of court decisions, which have distracted the government's attention and placed unexpected burdens on its spending plans.

This week, the Federal Financial Court – the second highest tribunal after the Federal Constitutional Court – ruled a 1984 law creating differential tax levels for businessmen depending on the source of their income illegal.

Although apparently an issue of private, rather than corporate, tax, the court ruling is relevant to the commission's reform study because most of Germany's companies are private and legislation in force now does not always distinguish clearly between private and corporate income.

The ruling has triggered speculation the government may have to compensate some taxpayers and has further distracted attention from the broader corporate tax reform.

The government, by contrast, argues the week's ruling has underlined the urgency of reforming corporate taxation.

Union finds unity of purpose

War has brought the EU together, but a delay in appointing Romano Prodi could end its dynamism, says Peter Norman

For once the European Union is living up to its name. The Kosovo war has so far produced a unity of purpose among the 15 member states, other decisions are being taken with a marked absence of squabbling and EU membership is more than ever a goal for associate and other nations in eastern, central and southern Europe.

"It is a really fascinating development," said Günter Verheugen, the minister of state at the German foreign ministry responsible for Europe. "In the shadow of this very serious crisis, Europe is pulling closer together."

Mr Verheugen was speaking after negotiations in Luxembourg this week in which the EU, under its German presidency, agreed to ban the sale of oil and oil products to Yugoslavia. It also tightened sanctions against Belgrade, rapidly resolved a series of potentially contentious internal EU issues and began putting flesh on its promises to support south-eastern Europe.

One of the war's most striking effects has been the impetus it has given to closer ties between the EU and its neighbours to the east and south-east. After their regular monthly meeting EU foreign ministers had long-scheduled talks with Ukraine, Romania, Slovakia and Estonia on Monday and Tuesday that were unusually friction-free.

Subsequent meetings between the EU "troika" (comprising Germany, Austria and Finland) and Albania and Macedonia confirmed plans for a rapid move towards granting them associate status with its promise of eventual EU membership.

Further evidence of a growing identity of interests between the EU and other European states was Wednesday's announcement that the EU's 10 eastern and central European associates, Cyprus and the Efta countries belonging to the European Economic Area had joined the oil ban.

Mr Verheugen also detected "an improvement of decision making inside the EU that began with the EU council in Berlin", the March 24-25 summit which reached a compromise on the Agenda 2000 reforms of the EU's budget,farm and regional policies for the next seven years.

The EU foreign ministers this week reached rapid accord on a full agenda ranging from future EU-US relations to the pay and conditions of members of the European Parliament. The European Commission's new "white paper" on competition policy this week showed how the 20 commissioners, who resigned en masse last month, are interpreting their caretaker role in an increasingly activist manner.

But will such dynamism continue? Institutionally, the omens are fair. The EU embarks on a new chapter of its development tomorrow with the entry into force of the Amsterdam Treaty which was intended to rectify some of the shortcomings of the 1992 Maastricht Treaty on European Union.

The Amsterdam treaty will mean a greater emphasis on citizenship and the rights of individuals, more democracy in the shape of increased powers for the European Parliament and a formal focusing of EU policy on the problem of unemployment. It aims to develop a common foreign and security policy, including the appointment of a high representative – dubbed Mr or Ms Pesc after the French acronym – to personify EU foreign policy.

But the treaty failed to address many of the difficulties to be overcome when enlarging EU membership to 20 or more in the coming decades. Issues such as reforming the composition of the Commission and increasing the use of qualified majority voting to improve decision making are therefore on the agenda of the EU's June summit in Cologne, which is due to initiate negotiations among member states for a further EU treaty.

The Kosovo conflict is also certain to accelerate discussions about Europe developing its own security and defence identity to cope with future crises. But it is not yet clear whether the current war-induced sense of unity and the EU's reaching out to the countries to the east and south will translate into support for far-reaching internal integration or "deepening" the union.

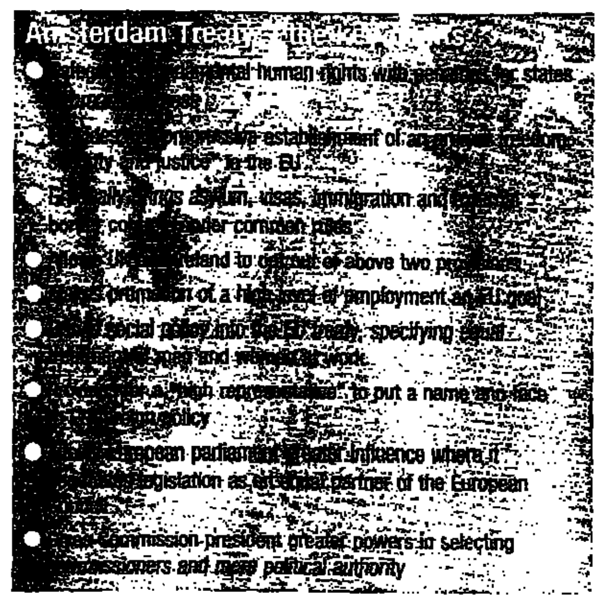
Much will depend on the progress of the war. Its successful prosecution is also a precondition for rallying non-EU members behind the projected "stability pact" for south-eastern Europe.

But there are other uncertainties, not least the risk of a prolonged hiatus before Romano Prodi, the EU Commission president-designate, takes over with his own team of commissioners.

Two weeks ago, Gerhard Schröder, the German chancellor, suggested Mr Prodi and the new executive could be in office by early August. But that would require the new European parliament, to be elected in June, to be extremely co-operative and arrange special sessions to handle the confirmation hearings.

According to one senior member of parliament, the new Commission is more likely to take office at the end of September or mid-October, while parliamentary objections to any person nominated as a commissioner could add another month to six weeks delay.

This is all very frustrating for Mr Prodi, not least because he says Europe "has to act very fast" in south-east Europe. "I am ready," he said in Brussels this week. But, referring to his limited power to act at this stage, he added: "The legal problem is difficult."



Plan for company payment deadline

By Neil Buckley in Brussels

Companies would have to pay suppliers within 30 days of receiving a bill or face standard punitive interest charges across the European Union, under new legislation agreed by EU industry ministers yesterday.

The rules, which still have to receive the assent of the European parliament, aim to tackle the problem of late payments, a crippling burden on small and medium-sized businesses. They would set minimum EU-wide standards in place of sometimes ineffective national laws.

If companies did not pay suppliers within 30 days of receiving an invoice they would have to pay compensatory interest of at least six percentage points above the European Central Bank's repurchase rate – currently 2.5 per cent – or the national equivalent.

EU governments would also be set a target of reducing to 90 days the maximum time necessary for companies to win a legal order to recover disputed debts – though the legal mechanism is left to individual states.

The European parliament, which shares responsibility for the measure, will consider the plans in the autumn.

● The European Commission has dropped an investigation of long-distance telephone charges by national operators in Finland, Austria and Portugal, but is continuing to investigate operators in Luxembourg, Ireland, Italy and Greece.

The EU executive began looking into "accounting rates", or charges between telecommunications operators for carrying calls, in 1997 amid concerns over excessive margins.

The Commission said Finland, Austria and Portugal had cut rates by 26 to 28 per cent. But rates were still being reviewed at Postes et Télécommunications Luxembourg, Telecom Italia and OTE of Greece.

Banks to start new euro clearing system

By George Graham in London

Leading European banks are to start work on a new system to handle small cross-border payments throughout the EU.

The Euro Banking Association, which already runs a clearing system handling €200bn ($212bn) of payments a day, is to start developing a low value payment system. It hopes to have it operating before the introduction of euro notes and coins in 2002.

Eric Sepkes, deputy chairman of the EBA, said: "The decision to focus now on a low value payments project has been driven by our members' need to develop an effective payment solution for their customers."

Banks have come under attack from consumer associations and the European Commission for not making large enough cuts in the price of transferring money to other countries since the introduction of the euro.

But although the euro has eliminated the currency risk involved in transfers, it has not got rid of the expense of moving money between payments systems that remain national. A cheque denominated in euros can still be cleared only in the country in which it is issued.

The EBA system was built to handle relatively large volumes. It deals with 67,000 out of an estimated total of 400,000 euro cross-border transactions a day. But the cost per transfer remains too high to be attractive for low value payments.

● Money supply growth in the euro-zone remained above the European Central Bank's preferred level in the first three months of this year, but was not so high as to threaten its anti-inflation strategy, according to ECB figures published yesterday, writes Tony Barber in Frankfurt.

The bank's three-month moving average of M3 broad money supply growth rose by an annual 5.2 per cent from January to March, compared with a revised 5.0 per cent for the period from December to February. The ECB had estimated the December-February increase at 5.1 per cent.

The ECB sets a level of 4.5 per cent for its three-month moving average but has said that the M3 growth is no risk to price stability.

Learning the hard way, Page 18

Congress lukewarm over fresh hedge fund rules

By Gerard Baker in Washington and Tracy Corrigan in New York

The US Congress gave a lukewarm reception yesterday to proposals by the Clinton administration to toughen the regulation of hedge funds and other highly leveraged financial institutions.

Senior congressmen indicated the plans could run into heavy opposition from the Republican-controlled Congress.

A spokesman for Phil Gramm, chairman of the Senate Banking Committee, said the issue was not an immediate priority and repeated the senator's view that the problem of lending to highly-leveraged institutions was better addressed by banks than by regulators.

Administration officials said Mr Clinton's proposals, announced yesterday, were designed to reduce the risk of a repeat of the near-collapse last autumn of Long Term Capital Management (LTCM), and the accompanying market turmoil. Under the proposals, hedge funds would be required to make public for the first time quarterly information on their financial condition.

Hedge fund managers said they were relieved the proposals stopped short of direct regulation, which would have driven them offshore, but some said they were concerned about the impact of publicly revealing proprietary information on trading positions.

"I don't mind telling the SEC [Securities and Exchange Commission] or a credit officer [of a bank] but this is sensitive stuff," said one hedge fund manager.

Also under the proposals, lenders to hedge funds would be forced to disclose specific information about their exposure; regulators would be given new powers to examine risk assessment procedures at currently unregulated affiliates of some financial institutions; bankruptcy laws would be reformed to allow financial contracts to be unwound more easily; and regulators would consider stronger incentives to encourage offshore financial centres to comply with international standards.

The proposals require three pieces of legislation: one to enact the bankruptcy reforms, the others forcing hedge fund disclosure and empowering regulators to enjoy expanded risk assessment authority for the unregulated institutions.

Congressional officials indicated that while Republicans were likely to accept the bankruptcy proposals, there would be significant opposition from some to the others.

Many Republicans think last year's episode at LTCM was an isolated one which does not require an overhaul of the regulatory framework. Others argue the US should not embark on such an overhaul until other countries also toughen their rules.

"The margin requirements for bond trading should be increased," said Charles Gradante, chief investment officer at Hennessee Hedge Fund Advisory Group, which advises investors on hedge fund investments. However, he said greater scrutiny of banks' own exposure to hedge funds would help address the issue.

A Wall Street working group is due to announce its own industry guidelines in June.

Mr Gradante said that although hedge fund managers would dislike the paperwork involved, "most hedge funds have nothing to hide".

Jim Cramer, a hedge fund manager and Wall Street commentator described the proposals as "fabulous". "It was ridiculous that one hedge fund could have almost brought down the financial system. I don't know how [LTCM] got away with it. It's high time hedge funds played by the same rules as everyone else."

Chile faces Endesa battle

By Mark Mulligan in Santiago and Tom Burns in Madrid

The Chilean government faces a damaging legal battle with shareholders of Endesa Chile, the country's largest electricity generator, over a decision to suspend the sale of control of the company to Endesa of Spain.

Enersis, Chile's largest electricity distributor and the Spanish group's local investment vehicle, along with institutional shareholders yesterday vowed to contest a last-minute decision by the anti-monopolies commission to block the $2.15bn sale of 34.7 per cent of Endesa Chile, scheduled for yesterday.

Pedro Corona, president of the association representing the country's eight private pension funds, which control 26 per cent of Endesa Chile, said: "This is surprising and damaging for the country and for workers."

The pension funds have threatened legal action against the government for loss of profits on the share sale.

In Madrid, Rodolfo Martín Villa, chairman of Endesa Spain and Enersis, said the company would "not throw in the towel".

"Chile has long boasted about having a liberal and open economy. What has happened inevitably damages that image," he said.

The commission's blocking move, announced late on Wednesday, comes amid a worsening energy crisis in central Chile, where drought has forced companies such as Endesa, which relies heavily on hydro-electric plants, to ration supplies.

Daily two-hour blackouts in the greater Santiago area have provoked street demonstrations against the government and power utilities, and created the biggest political crisis for the administration of President Eduardo Frei since the detention of the former dictator, General Augusto Pinochet, in London last October.

Circle of blame widens in the aftermath of school massacre

The finger is being pointed at all those remotely responsible for what happened last week. Patti Waldmeir reports

Last week's school massacre in Littleton, Colorado, has provoked a full-blown crisis of national morality for Americans.

A wide circle of blame is being drawn around all those directly or remotely responsible for what happened.

But in America, every moral crisis must have a legal dimension. Experts on liability and criminal law say it is an ever shorter step from blame to allegations of legal liability, civil or criminal.

So in the end, much of this crisis will be played out in the courts – though legal scholars and practitioners say they doubt that the law can compel the kind of cultural change needed to tackle juvenile violence.

With the two killers already dead, the search for blame must focus on third parties: parents, teachers, principals and fellow students, as well as gun manufacturers, moviemakers, and companies such as AOL which provide access to violent internet sites.

Already, Colorado law enforcement officials are preparing to charge one of the parties allegedly most closely linked with the crime: the person who provided the two minors with the guns.

But the net of liability is also being flung further from the epicentre of responsibility: police have hinted that they may seek charges against the two boys' parents, under a Colorado law which makes it a felony for an adult to permit a child to possess a firearm if he knows there is a "substantial risk" that the youth will use it to commit a crime.

The large number of weapons used, and the fact that police found a sawn-off shotgun barrel and bomb materials in plain view in one of the boy's rooms, suggests that other people, including parents, should have raised the alarm before the crime.

Earlier this week, President Bill Clinton sent a bill to Congress which would create a new federal crime, attracting mandatory sentences, for parents who allow children access to guns, and who "knowingly or recklessly" allow a crime to occur. Some states already make parents liable for damage caused by their children in vandalism or crimes, even if they had no prior knowledge of it.

There is also likely to be a flood of civil liability lawsuits brought by victims' families after Colorado's thirty day mourning period, which keeps lawyers away from victims, has elapsed.

In previous school shootings, parents of the killers have been sued under their homeowners' policies, which provide limited civil liability coverage. But lawyers have recently sought better funded targets: victims' families in a 1997 Kentucky shooting are seeking $130m in damages from the makers and distributors of the movie The Basketball Diaries and the video game Mortal Kombat, which allegedly inspired the killers' crimes.

A wide range of third party suits appear likely. However, legal experts have begun to question whether such suits will deter future crimes

The recent wave of lawsuits brought by US cities against gun manufacturers is broadly part of the same trend: an attempt to extend liability beyond the individual, to those who produce and distribute weapons. Last week's events have turned the tide of public opinion further against the gun manufacturers in this respect.

It is too soon to tell whether the Littleton shooting will provoke another gun lawsuit. But legal experts say a wide range of third party suits are likely, and they have begun to question whether such suits, which often arise out of either displaced revenge or displaced grief, will deter future crimes.

"The [civil] courts are a crude mechanism for producing social change," says Cass Sunstein, a constitutional law professor at the University of Chicago. Jail sentences or fines for criminal liability may have a greater deterrent effect than civil damages awards, he says, but in the end the solution lies elsewhere.

Criminal liability cases are very hard to prove: Colorado law requires that prosecutors prove parents knew of a substantial risk of violence – not just "ought to have known".

"That requires knowledge and a decision not to intervene," says Mimi Wesson of the University of Colorado law school. "The real problem is, how do you prove what the parents knew."

Tough criminal laws risk turning parents into informers: but their responsibility to inform could in some cases collide with the privacy right of the children involved, lawyers say.

Indeed many of the proposed legislative solutions for the violence – including gun control and restrictions on the internet – could also potentially collide with constitutional rights such as the first amendment right to free speech and the second amendment right to bear arms.

But constitutional law experts say many of these challenges are more political than constitutional. Laurence Tribe, a law professor at Harvard University, says the first amendment leaves room for government to take action against those who aid and abet a crime, even over the internet.

And though there is much dispute about the second amendment right to bear arms, Prof Tribe thinks the amendment guarantees a "minimal right of personal self defence" – not the right "to keep and bear sawed off shotguns".

Most of the proposed solutions have been symbolic in any case. President Clinton's gun control proposals – ranging from child safety locks to a mandatory waiting period for gun purchases – would hardly have stopped the Littleton killers.

Third party liability cannot, on its own, solve the cultural crisis. "It's a delusion to think that if we shove this responsibility off on to the parents we absolve ourselves of collective responsibility," says Prof Tribe.

Father and mother with distressed daughter after the shooting AP

Copycat school shooting

One Canadian student died and another was seriously wounded after a high school shooting that is being seen as a copycat crime inspired by the Littleton, Colorado murders, **Edward Alden reports from Toronto.**

A 14-year-old boy in Taber, an Alberta town of 8,000 people near the US border, was charged yesterday with one count of first degree murder and a second count of attempted murder. Police said he entered the school on Wednesday afternoon and fired four shots from a semi-automatic rifle.

The incident has badly shaken Canadians who thought the country's tough gun control laws would prevent shootings similar to those in the US. Police would not reveal where the teenager obtained the rifle, but said an investigation showed that both gun and ammunition had been properly stored in compliance with firearms laws.

The 14-year-old, whose name cannot be published, has been described as an outcast by other students.

UNIONS FEAR JOB LOSSES LEGISLATORS SET INITIAL OFFER PRICE VALUING SALE AT US$5.8BN

Protest ignored in Taiwan telecom sell-off

By Mure Dickie in Taipei

Taiwanese legislators yesterday waved aside the protests of thousands of telephone engineers to take a vital step towards the privatisation of Chunghwa Telecommunications.

A parliamentary committee set the budgeted initial public offer (IPO) price for Chunghwa shares at T$60 (US$1.80) – clearing the way for the first sale of shares in the state-run telecommunications giant to be included in the next government budget.

Thousands of Chunghwa workers in yellow baseball caps blared their objections with air horns and chanted slogans outside parliament as the committee met and labour leaders vowed to continue to fight the privatisation plan.

Chunghwa had proposed a T$40 issue price, but legislators raised it as a concession to union leaders who had succeeded in delaying the decision by protesting that the company was being undervalued. The budget price itself is largely academic to Chunghwa, however, as the actual issue price will be set later.

Protests from the telephone monopoly's more than 30,000 employees stem largely from fears that privatisation could lead to job losses – a prospect company officials do not rule out.

A senior Chunghwa official said it would now wait for final approval of the state budget at the end of May before selecting a domestic underwriter to pave the way for an IPO before June 2000. An international issue would follow before the end of next year.

Chunghwa plans to sell a third of its equity by the end of 2000, with 19 per cent going to foreign investors in the form of American Depositary Receipts. The government intends to reduce its stake to below 50 per cent by June 2001, with further sales to follow.

The finance minister, Paul Chiu, says the privatisation programme is intended to boost efficiency as well as generate revenues to help close the gap between rising expenditure and the island's narrow tax base. At T$60 a share the IPO would raise an estimated T$190bn (US$5.8bn).

Investors are expected to take a keen interest in a potential blue-chip that boasts 11m customers, assets totalling around T$400bn and a powerful presence in the island's mobile telephony market, though its prospects are somewhat dimmed by the liberalisation of the telecommunications market.

Malaysia still determined to develop Asian 'Silicon Valley'

Undaunted by the economic crisis Mahathir is pressing ahead with plans for a fully wired cyber-city, writes **Sheila McNulty**

Malaysia launches a new stock market for growth and technology companies today – with just one company listed. That it is going ahead anyway points to a determination on the part of Mahathir Mohamad's government to transform Malaysia into a knowledge-based economy despite the devastating impact of the two-year-old economic crisis.

Mesdaq, modelled on Nasdaq, the US automated market, is to provide capital market support for a project Dr Mahathir's government has dubbed the Multimedia Super Corridor (MSC), a 15km-by-50km hub for pioneering high-tech research and development. Dr Mahathir sees the MSC as the driving force behind Malaysia's economic evolution, and the 73-year-old prime minister is anxious to see it up and running.

Thus hundreds of bulldozers daily ply mounds of red earth as thick palm plantations give way to paved streets, modern buildings and manicured lawns atop a high-speed fibre-optic cable network.

But, even when the M$50bn (US$13bn) infrastructure is complete, the question of why a high-tech company would relocate to Malaysia will not be readily answered. Neighbouring Singapore already has wired its entire city-state with first-class technology infrastructure and its people are so computer savvy they order taxis online. India is famous for its software whizzkids. And computer companies started by Taiwan's risk-takers have grown into market leaders.

By contrast Malaysia has no special advantage in this area. Its schools are only now being equipped with computers and there is no indigenous high-tech industry to speak of.

The government insists the lower cost of doing business in Malaysia compared with rivals in Asia is a big advantage and is offering a Bill of Guarantees, with total foreign ownership and 0 per cent income tax for up to 10 years, as a further incentive.

"I will admit that it is an ambitious project, but it is not for us Malaysians to implement alone," Dr Mahathir says. "We conceived it as a giant test-bed for everyone to use, everyone from everywhere."

But Dr Mahathir's behaviour since the onset of the crisis has turned off some potential investors. Most damaging were his suggestion that the crisis was a Jewish plot (a comment he later denied making), the imposition of controls on the flow of capital (though MSC companies were exempted), and the political instability created by the sacking, police beating and imprisonment of his deputy, Anwar Ibrahim.

"It may be pretty disturbing for a [company boss] in Milwaukee looking at stone throwing on CNN," says Song Seng Wun, regional economist at G.K. Goh Research.

Malaysia points to the 212 companies that have been approved – and remain committed – to operate in the MSC. Microsoft – probably the most prestigious technology company in the world – is among them. But its commitment is limited. Microsoft announced in August it was contributing by establishing a resource centre for software developers, independent software vendors and Malaysian businesses. But it agreed to invest just M$1m during the first year.

Malaysia was hoping for a much bigger financial commitment but Microsoft's moral support is far more valuable in attracting other companies. Its head, Bill Gates, has made two trips to Malaysia in the past two years.

The recession, which forced a 6.7 per cent economic contraction last year, has delayed aspects of the project and forced some of the more expensive blueprints to be scaled down, but its overall objective remains in place.

"We don't have a choice," says Mohamed Arif Nun, chief operating officer of the Multimedia Development Corp in charge of the project. "The MSC is the next engine of growth."

Without it, Malaysia will remain a manufacturing-based economy fast becoming too expensive to compete with less developed neighbours. So Cyberjaya, the intelligent city at the centre of the MSC, is to open in July. The Multimedia University, intended to mould the talent needed to staff the MSC, is to start admitting students in June. Putrajaya, the paperless administrative capital, is to be ready for Dr Mahathir's relocation next month.

Yet Nik Abd. Aziz, business development director of Supercomal Technologies, the Taiwanese-Malaysian high-tech wire and cable manufacturer that is Mesdaq's first listing, says: "Malaysians are not really prepared for this. They still haven't gotten a grip on what is happening."

NSys Consulting, creator of internet banking software, is the type of homegrown company Malaysia hopes the MSC will sprout. Nicholas See began the company three years ago with his mother's backing, has tapped into Singaporean and Indonesian markets, and made M$1.5m in turnover last year. He is confident the MSC will encourage more Malaysians to follow his lead.

"A few years down the line there will be loads of us around."

Mr Nik, meanwhile, hopes the industry will flourish so the exchange will be able soon to convince more companies to list. "We don't want to be there alone," he says. "It's a scary place."

The hoped-for driving force of Malaysia's future is now beyond the drawing board Veronica Garbutt

NEWS DIGEST

AUSTRALIAN POLITICS

Small rise in immigration sparks policy criticism

The Australian government's approach to immigration has been criticised by business and political leaders following the announcement of a modest rise for the next year.

The increase of just 2,000 would bring Australia's immigration quota to 82,000 in the year to June 2000, after three years of sharp cuts under the conservative coalition of John Howard, the prime minister.

State governments, business groups and members of Mr Howard's coalition have urged a substantial increase in immigration with more focus on skilled migrants.

Jeff Kennett, Victorian state premier and a prominent member of Mr Howard's Liberal party, accused Mr Howard of ignoring the problems posed by Australia's ageing population and declining fertility rate. He reiterated his calls to more than double the intake of skilled migrants.
Gwen Robinson, Sydney

SOUTH KOREA ECONOMY

Industrial output soars

South Korea appears headed for a rapid economic recovery after industrial output in March posted its highest monthly growth in four years at a provisional 18.4 percent against a 9.1 per cent fall a year ago. The average factory operating rate rose to 74.6 per cent, but is still below the rate of 80 per cent before the financial crisis in late 1997.

Analysts said output rose due to growing domestic consumption resulting from loose monetary policy and rising exports for semiconductors and cars. Economists predicted gross domestic product growth of more than 5 per cent for 1999 if the current pace is maintained, although there are worries over whether the recovery is sustainable.
John Burton, Seoul

CHINA CULT

Sect member jailed

A Chinese court has sentenced a senior member of a rural cult to 10 years in prison for defrauding farmers, just four days after members of another mystic sect demonstrated outside the seat of government in Beijing.

Li Ping, who ranked third in the Zhu Shen Jiao, Supreme Spirit sect, was found guilty of helping cult leader Liu Jiaguo defraud followers of Rmb300,000 ($36,000), large amounts of grain and silver ornaments, the China Youth Daily said. Prosecutors appealed against the sentence on grounds it was too light, saying Mr Li had also help indulge Mr Liu's sexual appetite by securing female followers for a "sacred summons" to have sex with the cult leader. Mr Liu is on trial in another town in Hunan.

No cult has been officially recognised in China, where all organisations are supposed to be affiliated to the Communist government. **James Kynge, Beijing**

■ China's parliament rejected the amendment of a highway law that would have introduced a fuel tax to replace road tolls and some vehicle fees, the official Xinhua news agency said. Opposition appears to have come from local government authorities that derive income from road tolls and vehicle fees and from farming interests that would have been hit by the tax imposition. **James Kynge**

Death for Vietnam smugglers

By Jonathan Birchall in Hanoi

A big corruption trial in Vietnam has ended with a senior customs official and a wealthy local businessman being sentenced to death.

Phung Long That, head of the customs anti-smuggling unit in Ho Chi Minh City, and Tran Dam, a private businessman, were both found guilty of organising the smuggling of millions of dollars of consumer goods through the city over a four-year period.

Six other defendants were sentenced to life imprisonment by the city's main court, with lesser sentences handed out to more than 60 others.

The case exposed rampant corruption within Vietnam's customs service, with defendants arguing that the taking of bribes, known in Vietnam as "tea money", was regarded as standard practice by their colleagues.

Despite the end of the smuggling trial, the public's appetite for revelations of official wrong-doing is set to be further stimulated. Next week sees the opening of Vietnam's largest ever corruption trial, involving at least 77 defendants, including top bankers, businessmen and communist party officials.

The case centres on the collapse in early 1997 of one of Ho Chi Minh City's biggest private companies, Minh-Phung, and of a related partially state-owned trading company, Epco, with debts of around $280m, much of it to the state-owned commercial banking system. The collapse of the two companies following unsuccessful speculation in property and commodities revealed extensive debts to the state banks, which had been inadequately secured against collateral, allegedly as a result of fraud.

Following the arrest of the top management of the Minh Phung-Epco companies, Epco's credit officer was found strangled with steel wire on the roof of the Ho Chi Minh City branch of the state-owned Incombank. A mid-ranking banker also died from injuries while being questioned by police.

The on-going investigation, which has involved some of the city's most competent bankers, has also cast a long shadow over lending by state banks to the private sector. "People aren't going to approve a loan if it could put them in front of the firing squad," observes one western banker in the city.

The prosecution is expected to charge Minh Phung's management with obtaining loans through bribery of the relevant banking officials. However, western bankers in Ho Chi Minh City believe much of the lending was the result of political pressure to lend to well connected individuals or companies.

Diplomats and bankers assume such connections may well go beyond Ho Chi Minh City to powerful figures in the central government in Hanoi. But as with the smuggling trial, the Minh Phung-Epco case is expected to provide a glimpse of the network linking business, politics and money only within Ho Chi Minh City.

Japan moves closer to taking bigger role in its defence

By Michiyo Nakamoto in Tokyo

When Keizo Obuchi, Japanese prime minister, visits Washington next week, he will proudly present President Bill Clinton with a gift the US has been awaiting for more than a year.

The lower house of the Japanese Diet (parliament) on Tuesday finally passed legislation enabling Japan to play a significantly larger role in the security of its own territory and that of the Asia-Pacific region.

Enactment of the defence guideline bills, now a virtual certainty, will fundamentally alter regional security arrangements by allowing Japan for the first time to co-operate with US forces not only against a direct attack but also in the areas surrounding Japan.

This new co-operation has been hailed by its proponents both in Japan and the US as critical to ensuring the continuation of the US-Japan security alliance, which is widely recognised as the cornerstone of stability in the Asia-Pacific region.

Just as important to its supporters in Japan, the bills represent a crucial step towards freeing Japan from the constraints of its pacifist post-war constitution and bringing it closer to being what Ichiro Ozawa, leader of the Liberal party, calls a "normal nation".

But the bills have stirred fears, at home and in neighbouring countries, of a more militarily assertive Japan.

The bills aim to stipulate precisely how Japanese forces can help their US allies. The Japanese would be expected to provide rear area support, search and rescue operations, transportation services, hospitals and other public facilities within Japan and the repair and maintenance of equipment.

The need for a redefinition of Japan's role in regional security became acute after the collapse of the Soviet Union. From the US point of view, the security threat in the Asia-Pacific region has dropped significantly.

Under the US-Japan security treaty, the US is committed to defending Japan but is increasingly irritated that Japan cannot help defend itself. The Japanese have sensed this, and fear the US commitment may not be as strong as it was.

"The US is supposed to protect Japan. But if North Korea launches a missile that lands in the mountains of Aomori (in northern Japan) and nobody is killed, and North Korea denies it did anything, will the US do something about it?" asks Shinzo Abe, an LDP parliamentarian. For a growing number of younger generation Japanese, the idea that Japan can take its own security into its own hands is no longer unthinkable.

They argue the guideline bills can act as an insurance policy against a possible resurgence of Japanese militarism by keeping Japan's regional role strictly within the confines of the US-Japan security treaty.

"Principles and rules are critical because Japan is an emotional country and so there is no knowing what we will do," warns Shozo Azuma, a Liberal party member.

But critics say that by keeping the geographic scope of Japanese assistance to US forces and the nature of relevant contingencies deliberately vague, the guidelines pave the way for Japanese involvement in regional conflicts beyond its own self-defence.

The guideline bills outline Japanese co-operation with US forces in "situations in areas surrounding Japan that, if left untouched, may bring about direct armed attack against Japan".

Both the Japanese and US governments have insisted the definition "situations in areas surrounding Japan" is not a geographical concept.

"If this goes ahead, Japan will be involved in a war before it knows it," warns Katsumi Takeoka, a former defence minister.

"The guidelines are clearly written to justify Japanese participation in a second Korean war. But the Japanese government will not respond to the question whether Japan will support the US in a second Korean war," he charges.

The guidelines have also raised suspicions among Japan's neighbours.

Tuesday's passage of the bills triggered criticism from both China and Russia.

"Japan's ambiguity is very dangerous. It results in the government agreeing to US operations without a policy of its own. This, in turn, raises questions in Asia about Japan's credibility," warns Mr Azuma.

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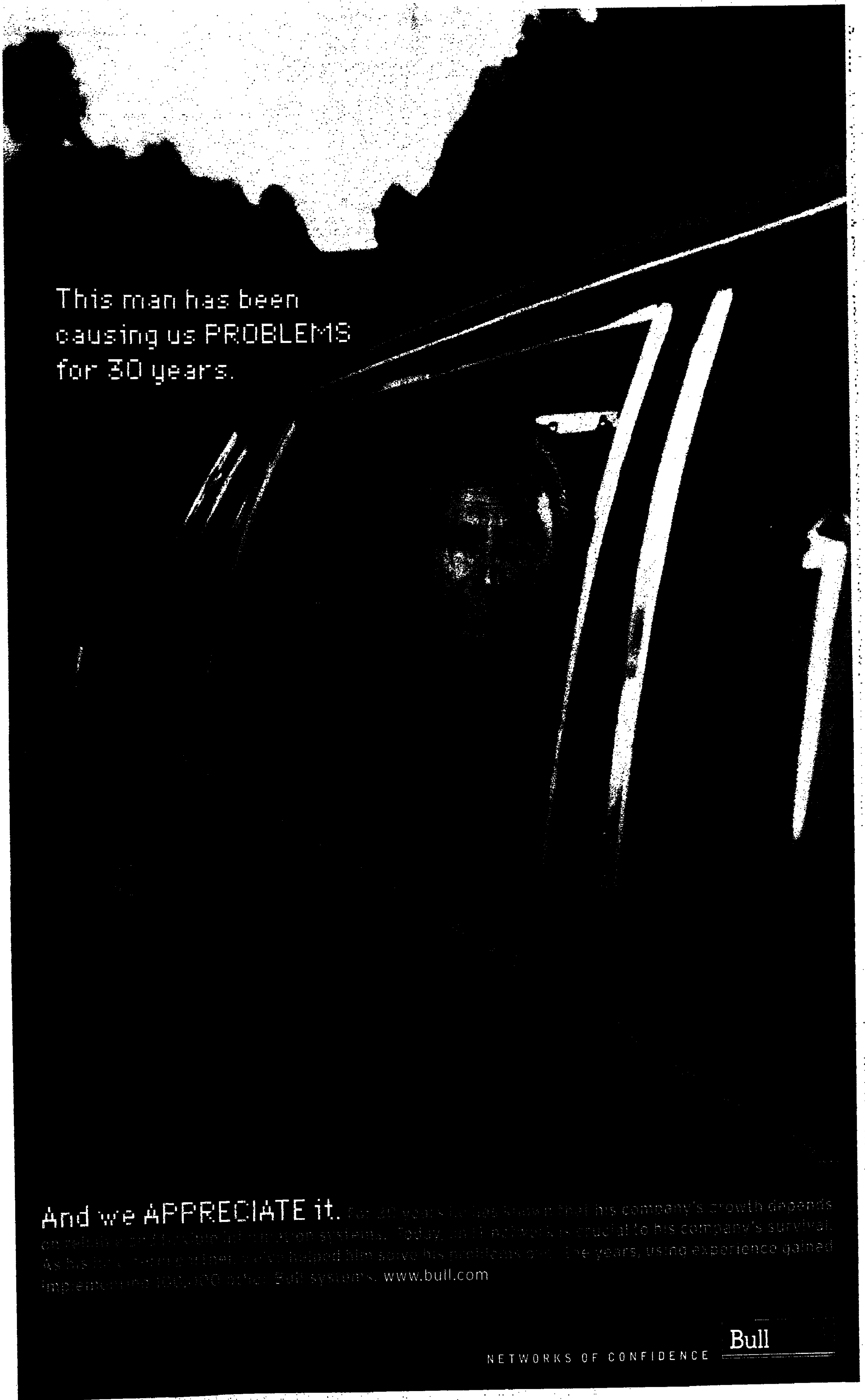

CHINESE POWER WEAK DEMAND FOR ELECTRICITY MEANS NO OPPORTUNITIES FOR FOREIGN INVESTORS FOR THREE YEARS

Beijing shelves plans for nuclear plant

By James Harding in Shanghai

China has ruled out starting any new nuclear power projects in the next three years in response to the weak electricity demand of a slowing economy.

The ban on fresh construction of nuclear plants illustrates how the rapid build-up of conventional power stations in the 1990s has transformed China from a country of electricity blackouts and power shortages to a market where in many places energy is now in oversupply.

Beijing's decision is also likely to be a short-term blow to foreign companies aiming to supply nuclear technologies to China, particularly those US businesses only just breaking into the Chinese market after finally winning Washington's approval to sell nuclear equipment just over a year ago. Shen Wenquan, a senior official at the China Nuclear Industry Corporation responsible for the development of nuclear energy in China, said yesterday the prohibition on new building was taken because of the falling demand for power as a result of the Asian economic crisis. State-owned enterprises have been operating at undercapacity, Mr Shen said, further explaining the weakness of demand.

But, Mr Shen said: "This does not mean bleak prospects for nuclear power development in China." The official Xinhua news agency quoted him telling a conference in Shanghai that "both domestic and overseas investors should not lose sight of a great potential market demand for nuclear power in this country."

Westinghouse of the US has recently signed an agreement with the Shanghai Nuclear Engineering Research and Design Institute to share technology in order to develop a nuclear reactor, the official China Daily reported this week. The agreement is part of the company's efforts to position itself for future sales of nuclear equipment in the Chinese market.

China has two nuclear power stations under commercial operation, one in Qinshan just south of Shanghai and the other at Daya Bay in the prosperous southern province of Guangdong.

Two others are already under construction and are due to be completed by 2006, raising the share of nuclear energy in China's total power output to 3 per cent from 1 per cent. US companies have calculated that the Chinese market for nuclear reactors and related supplies could amount to over $50bn during the next 15 years.

But, more than a dozen provinces in China have also started preparatory work for new nuclear plants, which will have to be shelved for at least three years.

The prohibition on new nuclear projects is part of a broader government effort to curb construction of more power plants in China. The China Development Bank, the government policy bank for infrastructure lending, announced earlier this year that new power projects would find it hard to get loans this year and has restricted lending to renovation of existing facilities and the upgrade of China's power grid.

Value of credit insurance cover increases by 8%

By Guy de Jonquières

The value of new credit insurance cover provided by the world's leading export credit agencies rose 8 per cent last year, in spite of the economic turmoil in many emerging markets.

The increase, to $381bn, was entirely due to the growth of short-term business in developing countries. The value of agencies' medium and long-term business, typically for capital goods, stagnated or fell.

Total new business for investment insurance, mainly to cover inward investment projects, rose 40 per cent last year to $12.25bn.

François David, president of the Berne Union, an international grouping of 44 credit and investment insurers, said the results showed its members had continued to support economies during a period of regional difficulty.

The weakness in longer-term business last year was due to a fall in demand in countries, particularly in east Asia, which had been forced by economic turmoil to cancel or scale back large capital goods purchases.

Mr David, who is chairman of Coface, the French credit insurance group, said his members believed the recent economic recovery in south-east Asia would continue, led by South Korea and Thailand, which were performing more strongly than forecast.

He expected growth in Malaysia to resume next year, but said there were still big questions about the prospects for Indonesia.

The outlook for the region depended, above all, on the performance of the Japanese and Chinese economies, Mr David said. He saw no return to growth in Japan this year, but believed a modest recovery was still possible there next year.

He expected China to record 6 per cent growth this year. He believed that it would not devalue its currency, because doing so would provide no solution to China's economic problems, which lay mainly in its banking sector and state-owned enterprises.

Mr David said Berne Union members' concerns about Latin America were shifting from Brazil, which was recovering well from its recent crisis, to Argentina.

The biggest question about Argentina was not whether the government was pursuing sound economic policies, but whether the country could cope with the social and political strains they were likely to impose.

Mr David said his members foresaw no change in the prospects for Russia, which was in any case marginal to the world economy. In India, the main uncertainty was about the country's future political stability.

Satellite telephone groups eye developing world's rural areas

By Mark Turner in Nairobi and Christopher Price in London

When Samuela Njilu needs to order the Tusker beers he stocks in his bar in Kabuta, a small farming village of 500 people in Kenya's central highlands, he travels 7km to the nearby towns of Muranga or Sagana. "We have been asking for a telephone for three years, but they never answer anything."

However, his wish could soon be answered. Villagers in the developing world have become the unlikely targets of some of the world's biggest satellite phone groups as they struggle with how to make their multi-billion dollar systems profitable.

Iridium, the first global satellite hand-held mobile phone service, has run into difficulties just five months after its launch with the expected demand from business travellers failing to materialise. Since its launch it has attracted only 10,000 subscribers, against analysts' expectations of 10 times that figure.

For three of its rivals, which are due to launch similar products over the next two years, the search for new markets and customers has led them to eye the millions of people in rural areas of south-east Asia, Africa and Latin America.

Just how some of the poorest people in the world are supposed to afford a mobile phone call is unclear, but the companies targeting the village phone market – ICO Global Communications, Globalstar and Ellipso – pledge that their services will be affordable.

Gerald Helman, Ellipso vice president of international affairs, says it intends to cut the cost of calls to as little as 8 cents a minute, even less in some circumstances. "We will pitch our price points to what our markets can afford."

Juliet Lecciri, director of rural and remote telephony for ICO, the UK-based satellite operator, thinks even the poorest villagers will keep something aside for that special call. "Our research suggests no matter what your income is, you will always have something left to spend on a phone call."

Mr Njilu estimates he spends around Ks40 (61 US cents) each on his twice weekly phone visits.

At the Sagana Kwa Vi shopping centre, 15 minutes drive from Kabuta, enthusiasm for phones is also evident. After asking for "a long, long time", Washira Mwaniki Kanyi, a shopkeeper, finally obtained a peeling red public telephone booth three months ago. "There is no other telephone in this area. People need it for their business."

Patrick Ubugua, a stonecutter, says Mr Kanyi performs a great service by taking orders for the 1,000 or so workers who live in the area. He also likes to use the telephone twice a month, at Ks15 (23 US cents) a time, to speak to his sister in Embu. "It works quite well. I can normally get her after two or three tries."

ICO, which is spending about $3bn on its system, reckons that revenues from its village scheme will account for as much as 10 per cent of the group total. For the $1.5bn Ellipso system, which is backed by Boeing, the figure rises to as much as 25 per cent.

Both companies intend to use local telecommunications partners to instal phone booths to house the satellite phones, and to sell their services.

They also point out the village market has always been seen as a prime target because of the lack of telecommunications infrastructure and the solution satellites immediately provide.

But difficulties of Iridium, which has been forced to reschedule some debts, has underlined problems the yet-to-launch systems face, and underline the importance of the developing world in the companies' business plans.

One of Globalstar's satellite-based telephone kiosks expected to cost between $1,000 and $2,500 each

NEWS DIGEST

AIRCRAFT NOISE DISPUTE

Brussels confirms delay for ban on 'hushkits'

The European Union yesterday confirmed that it was delaying new aircraft noise restrictions for a year, averting a trade dispute with the US. The legislation would have banned additional older aircraft fitted with engine mufflers, or "hushkits", from being added to national registers from this month. Similar aircraft registered in third countries would have been banned from flying in the EU after April 2002 if they were not already operating by this month.

The US, biggest manufacturer and user of hush-kits, disputes EU claims that hush-kitted aircraft do not always meet modern noise standards. It warned its industry would be hit hard by the ban, and threatened to ban Concorde flights to the US if it went ahead.

EU ministers in Luxembourg yesterday adopted the rules, but delayed the start date until May 2000, allowing an extra year for registration of hush-kitted aircraft, and for further consultations between the two sides.

US officials welcomed the delay as a constructive move to reduce tensions. But ACI Europe, the European airports' lobby, condemned the EU's "climbdown", saying European citizens living near airports would suffer as a result.
Neil Buckley, Brussels

AIRLINE ALLIANCE

Aer Lingus to join Oneworld

Aer Lingus, the Irish Republic's national airline, yesterday sought government backing for a strategic alliance with Oneworld, a consortium which includes British Airways and American Airlines. The Aer Lingus board accepted the management's recommendation to adopt a joint proposal from BA and American, who will sponsor Aer Lingus's membership.

The decision to take a strategic partner paves the way for a possible public flotation of shares in Aer Lingus. The proposal envisages that the consortium take a 10 per cent equity stake in Aer Lingus. Separately, the management is considering selling a further 5-10 per cent share to Aer Lingus staff under a employees share option scheme.

Oneworld also includes Cathay Pacific, Canadian Airlines and Quantas, Finnair and Iberia are about to join.
John Murray Brown, Dublin

VIETNAMESE GAS

Pricing deal unlocks scheme

The Vietnamese government and state-owned PetroVietnam yesterday signed an outline agreement on gas pricing, lifting the prospects for a proposed $1.5bn development of Vietnam's offshore gas reserves.

The Nam Con Son project involves the development of 2 trillion (2,000bn) cubic feet (TCF) of offshore gas in Vietnam's Lan Tay and Lan Do fields, and the construction of a 370km pipeline to carry the gas to thermal power stations at Phu My, south-east of Ho Chi Minh City.

Once built, the pipeline will be large enough to carry gas from adjacent fields in the Nam Con Son Basin with a further 3 TCF of reserves.

Talks on the project began in 1993. Despite being declared a project of strategic national importance in 1997, the Nam Con Son negotiations were hitherto plagued by differences between Vietnam's state-owned oil and power utilities over the gas price. No details of the final price agreed have been released.

PetroVietnam also signed two additional memorandums of understanding with BP Amoco, Statoil and India's GNGC Videsh, covering construction of the offshore pipeline, and government guarantees.

Detailed negotiations will now begin on up to a dozen specific agreements covering the project's implementation, including gas sales to end users.
Jonathan Birchall, Hanoi

MISMANAGEMENT CLAIMS EUROPEAN PARLIAMENT REPORT POINTS TO WEAKNESSES IN GAZA AND WEST BANK PROJECTS

Euro-MPs demand Palestinian aid inquiry

By Judy Dempsey in Jerusalem

The European Parliament is demanding an investigation into the allocation and management of European Commission funds to the Palestinian-controlled areas of the West Bank and Gaza.

The demand was made by Lord Tomlinson, British Labour member of the European Parliament and rapporteur of the committee on budgetary control. This week, he presented to Manuel Marin, acting Commission vice-president for the Mediterranean and Middle East, a report drawn up after a visit last month to the West Bank and Gaza.

The report claimed that the Commission's office in east Jerusalem was badly managed, lacked an organisational framework, that the Commission in Brussels had been "gripped by collective inertia" and that projects in the West Bank and Gaza were often mishandled, leading to "false promises, late payments and poor results".

At stake, say Commission officials, is the credibility and effectiveness of the European Union's financial and technical co-operation programme to the West Bank and Gaza. This was set up after the launch of the Middle East peace process in 1991 and began running over a five-year period from 1994. It aimed to support economic and social development in Palestinian Authority-governed areas.

Total aid, including member state contributions, has amounted to €1.68bn ($1.78bn), including funds from the Community budget and European Investment Bank loans amounting to €700m, making the EU the largest donor to the Palestinian Authority (PA).

All the more reason, argues the budgetary control committee, for a need for transparency as well as full accountability about how funds are allocated and how projects are managed. The record, said the committee, was far from impressive, with an "aloof bureaucracy on the ground out of touch with local needs".

Commission officials said their work had been hampered by Israeli closures on the West Bank and Gaza, a PA administration that had been slow to develop and lack of staff.

The committee's report, however, said such reasons did not explain why the EU's Gaza hospital, built and equipped in 1996 remained empty and without an international management team to run it. The EU, which provided €50m, took over the hospital after UNRWA, the original project manager, was incapable of either building or managing it. "It's not our job to run a hospital. We were thrown into it," said a Commission official.

The Commission was also criticised for a housing project designed to provide relatively cheap housing for Palestinians on a modest salary and offering a maximum price range of up $35,000. The committee claimed that due to an inadequate level of control and discipline, costs spiralled to $55,000.

On the day-to-day management level, the budgetary committee claimed that support staff based in Gaza were working in Jerusalem but claiming travel expenses to their nominal place of work. There were claims that the Commission employed a driver in Gaza although the car was used in the West Bank, leading staff in Gaza to claim taxi fares when travelling between Jerusalem and Gaza City.

Khatami presides over end of 2,500 years of centralised rule

Iran's President Mohammad Khatami inaugurated Tehran's first elected local council yesterday, fulfilling a major campaign promise and completing a grassroots democratic experiment first proposed 20 years ago, Reuters reports from Tehran.

The 15 members of the Tehran council, predominantly reformers and Khatami loyalists, took the oath of office in a small wood-panelled hall next to the main city office building.

Similar ceremonies were scheduled across Iran in thousands of cities, towns and villages after polls in February designed to help extinguish a legacy of 2,500 years of centralised rule and expand popular participation in government.

Election officials say about 280,000 candidates competed for 130,000 council seats, in races first outlined in the 1979 constitution but never before implemented. In addition, 60,000 people were elected as reservists.

"We are witnessing one of the most evident manifestations of people's control over their own destiny," Mr Khatami told the council members and a small assembly of ministers, leading MPs and senior clerics. "The people have taken a decisive step towards freedom and national pride."

But the festive atmosphere was coloured by news reports that Tehran's suspended mayor, a key ally in Mr Khatami's election and subsequent reform efforts, had been ordered to begin a two-year jail term on charges of graft.

Mr Khatami, a Shi'ite Moslem cleric, was elected in 1997 on a populist platform of expanded social and political liberty within Iran's Islamic system.

He used yesterday's swearing-in to push back existing barriers to freedom and to challenge what he said was an Iranian tradition of unity based on authoritarian rule.

"Let's recognise that we have an historic disease, that we have been subjected to this type of unity. The revolution freed people from the chains of this unity but the after-effects of the disease still linger on," Mr Khatami said.

In a direct challenge to the conservative establishment that has put up obstacles to his reform programme, Mr Khatami said his own landslide over a hardline rival and the subsequent victory of fellow reformers in the council polls were true expressions of popular will. His reforms, he promised, would prevail.

"This government also emanates from the popular vote," he said. "In the last presidential election each side said what it really meant. The people's vote was not accidental."

The polls in Tehran, Iran's most politicised city, were marred by a row over the qualifications of five reformist candidates, all of whom went on to win seats. Conservatives sought to bar the candidates from running, and then attempted to ban them from the councils after the results were in.

But Mr Khatami and his interior minister, in charge of such elections, sidestepped the challenge and all five were present yesterday to take their oaths of office. A letter read out from supreme leader Ayatollah Ali Khamenei apparently signalled final approval of the results.

Among the first duties of the council is the appointment of mayors, a process in Tehran that takes on special importance with the arrest order for Gholamhossein Karbaschi, the capital's mayor convicted of graft in a trial his supporters say was politically motivated.

The official Irna news agency said Mr Karbaschi had been given one week to report to Evin prison to begin his sentence.

His imprisonment will be a blow to Mr Khatami, who has backed Mr Karbaschi against the charges raised by the conservative-led judiciary.

Moderates say the case was an attempt to undermine Khatami's liberal political and social reforms. The judiciary has repeatedly denied the charge.

President Khatami speaking yesterday at the inauguration of the first Tehran elected city council
Reuters

Former Algerian premier to set up new party

By Rouda Khalaf in London

Mouloud Hamrouche, Algeria's former prime minister, said yesterday he was setting up an opposition party to channel the discontent of youth into peaceful political expression.

After seven years in which the population has been caught in the fight between the regime and Islamist extremists at the cost of more than 70,000 lives, Mr Hamrouche's decision is a sign of political changes to come in Algeria.

Mr Hamrouche, who led the reformist wing of the National Liberation Front (FLN), the former ruling party, is one of three ex-presidential candidates establishing new political parties. The other two are Ahmed Taleb Ibrahimi, a former foreign minister backed by Islamists and Mokdad Sifi, another former prime minister.

They were among the six candidates who withdrew on the eve of presidential elections earlier this month, charging it was being rigged to the benefit of Abdelaziz Bouteflika, who ended up as the sole candidate.

Mr Hamrouche was the architect of Algeria's first economic reforms and the backer of political liberalisation when he was prime minister between 1989 and 1991. In a country where the opposition has been either Islamist or Berber-based, he intends to form a secular political party spanning different regions and ethnic identity.

"What I discovered during the campaign for the presidential elections is that people reject violence and reject the regime in place, but also that the discourse today is no longer dominated by religion or ethnic identity," he said.

Since the election, however, Algeria's army-backed government has shown little sign of tolerance even towards peaceful protests. It banned street demonstrations against the election, and sent out a massive police force to block anyone who might ignore the ban.

Mr Hamrouche said he would not dismiss out of hand any initiative Mr Bouteflika might take to ease tensions. But he doubted that having been elected in a one-man show, boycotted by most of the population, Mr Bouteflika could make credible moves to return Algeria to peace – or that factions in the regime could agree on what he might propose.

Analysts expect Mr Bouteflika to make gestures towards the banned Islamic Salvation Front (Fis), which had been poised to win 1992 elections cancelled by the army. They say the new president might lift the house arrest of Abassi Madani, head of the Fis and perhaps move Ali Belhadj, the second in command, from jail to house arrest.

"If he (Bouteflika) takes initiatives towards Algerian society, all the better, but you will not have peace and reconciliation without changing the methods and the instruments by which Algeria is ruled," said Mr Hamrouche. "Without an independent justice system, an accountable administration and a return to the rule of law you cannot have peace."

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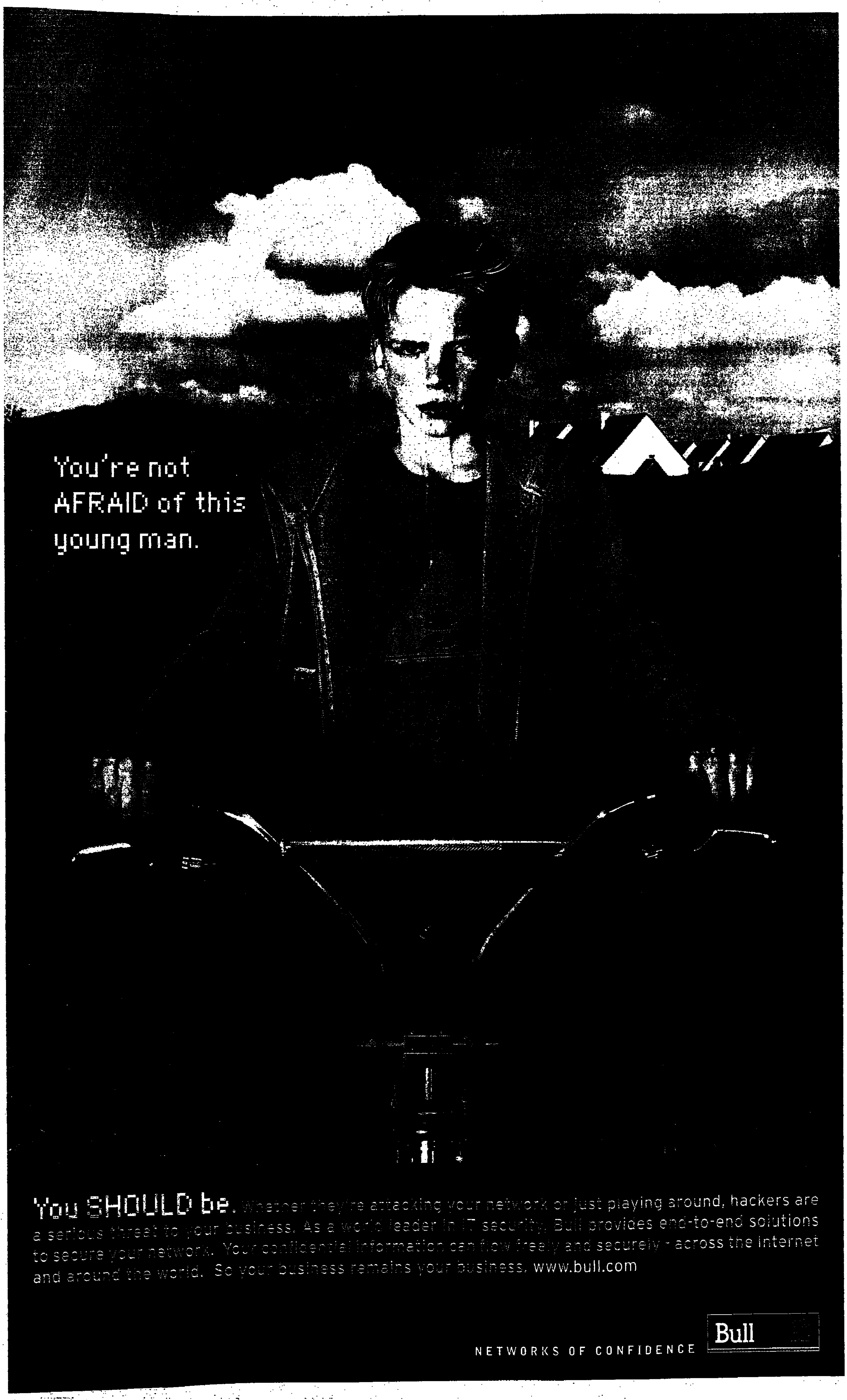
Brussels confirms delay for ban on 'hushkits'

Former Algerian premier to set up new party



INWARD INVESTMENT COMPANY'S PLAN TO OPEN FRENCH SEMI-CONDUCTOR FACTORY SPARKS OPPOSITION PARTY CLAIMS

Siemens told to repay $29m in site aid

By FT Reporters and Agencies

Siemens has been told to repay £18m ($29m) it received in aid to help build a factory in England which it later closed, Stephen Byers, chief industry minister, said in the House of Commons yesterday.

Mr Byers said Siemens had failed to meet conditions which were set when it received the money towards opening a semiconductor plant in 1996. The factory at Wallsend in the north-east closed last year with the loss of more than 1,000 jobs, following the collapse of semiconductor prices.

"I can inform the House that my department this morning invoiced Siemens in full for the £18m of regional selective assistance that was provided to them," Mr Byers said. "We shall recover that money and we shall use every penny of it to ensure additional inward investment... They failed to meet the conditions that we set."

Opposition MPs asked if the demand was sent to Siemens because the government had learned of its planned expansion in France. They accused the government of misleading parliament over last year's closure of the English factory after it emerged that the company was planning a chip joint venture with IBM near Paris.

The Conservatives said the government's claim that Siemens' decision had been purely driven by the weak state of the global semiconductor market had been wrong. At the time, the government said it had been assured by Siemens that the closure was not influenced by the level of sterling or Britain's decision not to join the euro in the first wave.

But John Redwood, the shadow industry secretary, said Siemens' French plans demonstrated that increased costs in the UK and the rise in the exchange rate was driving investment overseas. "Why is Siemens choosing a French plant rather than a British one? Obviously because it is cheaper."

Unions representing the 1,100 workers who lost their jobs when the plant closed said they were seeking an urgent explanation from Siemens. Larry Brooke, the Manufacturing Science and Finance union's national secretary for the electronics industry, said the workers would feel cheated by Siemens' move. "I'm surprised they haven't taken this golden opportunity to utilise what is clearly a world class facility," he said.

Of Siemens decision to open a plant in Paris instead, Mr Byers said: "There are particular reasons why Siemens have entered into the joint venture in relation to the Paris facility. I regret the fact that they were unable to secure a joint venture to develop microchips at the North Tyneside [England] plant."

Mr Byers was asked whether he had lodged a formal complaint with the European Commission. He said that, if there was a question of state aid being used in an inappropriate way, it would be something the EC would need to investigate.

Food industry backtracks on use of modified ingredients

Opposition from Prince Charles and more humble consumers has helped to reverse a trend, says **Deborah Hargreaves**

Britain's leading supermarkets have reacted to a groundswell of public concern about genetically-modified foods by saying they will stop using them in own-label products. Unilever and Nestlé UK, the large consumer foods groups, said this week they would remove GM ingredients from their British products.

Public opinion in Britain remains strongly sceptical about the benefits of genetic modification. Prince Charles has voiced his concerns and leading food writers have called for a boycott.

A collection of influential environmental groups including Greenpeace and Friends of the Earth is mounting a campaign for a five-year freeze on genetically altered crops.

"The minimum we want is a five-year freeze to give time for more research. But we should have a debate about whether we need these crops at all," says Peter Riley, biotech campaigner for Friends of the Earth, the pressure group.

The government has attacked "media hysteria" over the coverage of the debate. Newspapers dubbed the new products "Frankenstein foods". But while ministers accept the public is genuinely worried, they refuse to ban GM foods.

Tony Blair, prime minister, says the argument should be conducted on "science, not scares". He told parliament this week that supermarkets had taken commercial decisions to remove GM ingredients that had nothing to do with safety.

Nestlé and Unilever agree that the use of biotechnology will guarantee safe products and significant benefits. But "at this point in time, without the confidence of all parties, this cannot be achieved," Nestlé says.

Recent surveys of public opinion about GM foods show that some 60 per cent of consumers oppose their use. A poll for the Consumers Association found that more than 90 per cent wanted GM ingredients to be clearly labelled.

British consumers began to mistrust government and scientists during the crisis over bovine spongiform encephalitis when regulators assured them it was safe to eat beef, but changed their minds 10 years later when it was discovered BSE could transfer to humans.

Leading scientists are also concerned that the real message about GM foods has not been getting through.

In the debate over GM foods, "the industry has done a bad job, scientists have done a bad job and so has the government," says Professor Alan Malcolm, chief executive of the Institute of Biology. Prof Malcolm believes the government has not done enough to stress the strict controls in place for the production of GM organisms.

The government will publish new rules for the regulation of GM crop development next month. A committee has proposed new labelling requirements and will shortly finish a review of the scientific advice system.

Ministers say the first draft of a paper on genetically-modified foods by Britain's chief medical officer and the main scientific advisor on the human health implications gives no cause for concern. "We know of no evidence that the existing licensed foods cause any concern. That is the advice we have been given," the minister responsible told MPs.

But environmentalists point to many concerns – including doubts about the way genes will behave when injected into plants and potential damage to the ecosystem. "We must also question whether these crops really do bring benefits for consumers or just profits for the multinational companies that produce them," Mr Riley said.

Prof Malcom believes there has been a lot of scaremongering by the press about GM foods which has meant the real issues have been lost. "We've been eating genes in food for thousands of years and they don't get into cells in our bodies or into our sperm or eggs. There are some legitimate environmental concerns and we should concentrate on them."

Scientists say the public needs to be educated more about the new technology and what it means for them. "It could be possible to do this, but if there are no products on the shelves, people won't be able to buy them anyway."

Women dig up genetically modified oilseed rape planted in southern England as an experimental test crop for Monsanto, the US biotechnology company. Some UK environmentalists have been arrested after raids on genetically modified crops Nick Cobbing

NEWS DIGEST

LONDON BOMB ATTACKS

FBI co-operation leads to video image of suspect

Close co-operation between Scotland Yard and the FBI has led to the first apparent breakthrough in the investigation into bomb attacks in areas of London with high ethnic minority populations. Senior British anti-terrorist officers yesterday issued detailed video images of a white man in his early 20s they believe to be the prime suspect for a bomb which exploded in Brixton, south London, on April 17, injuring 39 people.

What UK police are describing as a "significant development" in their enquiries followed image separation, and enhancement of hundreds of hours of video footage captured on closed circuit television cameras near the scene of the explosion. It is understood that a key role was played in the analysis by high-technology equipment used in FBI laboratories in the US.

There was no official comment yesterday from the FBI but a senior British detective confirmed yesterday that some of the key images had "crossed the Atlantic" at least twice. According to Paul Wilkinson, professor of international relations at St Andrew's University in Scotland and a leading UK anti-terrorist expert, European police services increasingly seek assistance in the US because of its high level of investment in image-enhancing techniques.

Eastern Eye, one of Britain's biggest selling Asian newspapers, today strongly criticises the police for allegedly not reacting quickly enough to threats of a campaign of racist terrorism. **Jimmy Burns, London**

ENERGY TAX WARNING

Aluminium smelting 'at risk'

Britain's primary aluminium smelting industry, with sales of £300m ($483m) a year, faces closure if the government goes ahead with its planned tax on energy use in industry, company executives warned yesterday. Tom Campbell, managing director of Anglesey Aluminium Metal, one of only two primary aluminium smelting businesses in the country, said his company would be unable to survive if the tax was introduced as presently proposed.

He said loss of primary smelting capacity in Britain could increase global emissions of carbon if orders were transferred to smelters in other countries with less rigorous environmental controls. Mr Paul Rata, assistant to the executive chairman of British Alcan, the other primary smelter operator, said the mathematics of the government's plans made it difficult to see how any primary aluminium producer could continue. **Andrew Taylor, London**

VIRGIN CLAIM REJECTED

British Airways slogan flies on

British Airways said yesterday the UK Advertising Standards Authority had rejected an attempt by Virgin Atlantic to prevent it using the slogan "the world's favourite airline". Martin George, BA's marketing director, said he had received a letter from the ASA confirming that Virgin's complaint had not been upheld.

The authority refused to comment, saying it would publish its decision in June. Virgin said it was awaiting a decision on a similar complaint it had made to the ASA's US counterpart. **Michael Skapinker, London**

PRO-EURO BREAKAWAY DEFECTORS BACK FORMER CHANCELLOR

Ex-Conservative MEPs aim to oust party leader

By Robert Peston, Political Editor

A campaign to oust William Hague as leader of the Conservative Party and replace him with Kenneth Clarke is being launched by the Pro Euro Conservative party, a new group formed by defectors. Mr Clarke was the last Conservative chancellor of the exchequer before the party's defeat in national elections two years ago. He lost an internal contest for the leadership to Mr Hague soon after the national elections.

The Pro Euro group is running for June's European parliament elections on the slogan that "a vote for us is a vote to get rid of Hague and install Clarke". The group is attempting to exploit party difficulties fomented by Mr Hague's rejection of free market ideas to reconstruct health and education, which has been widely seen as a drawing back from Thatcherism.

The new group's election leaflets will picture Mr Clarke and say that its main purpose is to "get the Conservative Party back on sane ground". This may embarrass Mr Clarke, who is refusing to leave the Conservative party or offer public support to the new group.

However, its founders, John Stevens and Brendan Donnelly, who are both members of the European parliament, said that they agreed with Mr Clarke on every important issue of policy. They believe their approach will help their electoral prospects, since Mr Clarke won more votes from party members than Mr Hague in the battle for the Conservative party leadership in the summer of 1997. Mr Hague eventually won the contest in the run-off for MPs' votes.

"Our opinion poll shows we could win 14 per cent of the vote in the European elections," said Mr Stevens. The same survey, carried out by Mori, put the Conservative party on 17 per cent. Senior Conservatives acknowledge that Mr Hague will find it difficult to cling on as leader if his party does as badly as that in the European elections or in next week's municipal elections in England.

Mr Stevens and Mr Donnelly quit the party in January because of their despair atits hostile attitude to the euro. "We feel the party should be neutral on monetary union at the next election," Mr Stevens said.

They are running a full slate of candidates for the European parliament in England and smaller numbers in Wales and Scotland.

● The Conservative party stands at about 12 per cent in the opinion polls on next week's first election for the Scottish parliament, **James Buxton writes in Edinburgh.** This would yield only 14 of the 129 seats, all on the second vote under proportional representation.

Lloyd's Names 'get higher returns' than corporates

By Jim Kelly in London

Traditional individual investors in the Lloyd's of London insurance market get a better return than the new quoted corporate investors, according to figures published yesterday by the Association of Lloyd's Members.

Michael Deeny, speaking for the association, which supports the interests of Names, or individual investors on whom the market has traditionally depended, said: "The analysis shows that Names have superior portfolios and earned higher returns than the corporates in general."

But Lloyd's said the association was "not really comparing like with like: there are other factors as well."

Mr Deeny said the results showed that the decline in the numbers of Names – to about 6,000 – may have ended and that the figures showed they did not have to be "reckless gamblers" to want to continue investing in the market.

The association said the figures, prepared independently, showed that Names with traditional bespoke portfolios had a return of 7.76 per cent of capacity in 1996 compared with 5.22 per cent for the quoted corporates.

Mr Deeny said: "For the forecast 1997 result, the contrast is even starker. Traditional bespoke Names are expected to make 3.32 per cent on average while the quoted corporates are forecast to make only 1.45 per cent."

The association said the contrast was more obvious when return on capital was taken as a yardstick – as it was by most investors. For 1996, Names had a return of 25.9 per cent whereas the comparable figure for corporate investors was 10.4 per cent.

Lloyd's said 1996 had been a good year and at that time Names had represented 70 per cent of the capital base of the market – and would have been expected to enjoy greater profitability.

It also said that comparisons of return on capital were problematic as different types of investors had different capital requirements at Lloyd's.

But the association said the results showed that some traditional elements of the market were worth keeping.

Mr Deeny said that investors advised by Lloyd's dwindling number of members' agents got a better return than capacity picked by corporates.

Warning on move to reform regulation

By George Graham, Banking Editor

The government was urged yesterday to end doubts over whether its plans to reform financial regulation in the UK are compatible with the European Convention on Human Rights. A joint committee of both houses of parliament warned the government that it faced "embarrassment and the need for further legislation" if it did not resolve concerns that the tougher powers it wants to give the Financial Services Authority to deal with market abuse might be rejected by the courts.

The government has tried in its draft financial services and markets bill to give the FSA the power to impose civil penalties for abuses such as insider dealing. Civil charges would require a lower burden of proof and fewer safeguards for defendants than the current criminal offence, where successful prosecutions are rare.

But senior lawyers have argued that courts would view the procedures as criminal in nature under the ECHR and under old English legal traditions.

In its report yesterday, the committee said the government must either recognise that these powers are criminal, and limit the FSA's role to that of prosecutor, or make the regime more clearly civil by limiting the punishments available. "The ball is now in the Treasury's court," said Lord Burns, the committee's chairman.

Opposition Conservative MPs threatened yesterday to hold up the bill if these concerns were not addressed. The government will need the opposition's consent to carry the bill over into the next parliamentary session.

It called for the posts of chief executive and chairman to be split. The chairman and executive directors should be subjected to confirmation hearings by parliament. "We recognise that the FSA will be one of the world's most powerful regulators and it is right that it should have an appropriate level of accountability," Lord Burns said.

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An open letter

to the Prime Minister
to the Finance Minister
to the Transport Minister
of the Italian Government

Sirs,

As you are well aware on July 28th, 1998 our companies complained with the European Commission over distortion of competition in the Italian coastal shipping trades, caused by subsidies the Italian State has granted and continues to grant to Tirrenia, the State-owned ferry group, and to its regional subsidiaries.

Furthermore, as you most certainly know, the European Commission Transport Directorate stated, on March 12th, 1999 that State subsidies are illegal for several reasons and requested clarification from the Italian authorities over regulations that determine how the subsidies are granted.

Finally, as you will also know the Antitrust Authority, the Italian Authority on fair competition, in its opinions of January 17th, 1996, October 3rd 1996 and July 9th 1998, has repeatedly confirmed, with notices to both the Government and the Parliament, the distortion of competition caused by the subsidies granted to Tirrenia.

Despite this criticism and the request for clarification from the European Commission Transportation Council, Tirrenia has prepared a business plan that, with utter disdain for said criticism and in complete contrast with European Union regulation on competition, liberalisation of the coastal trades and public subsidies, call for:
spending Lire 700 billion (Euros 361.51 million) to build new ships to be deployed on routes already served by private shipping companies;
estimated future subsidies up to Lire 1.2 trillion (Euros 619.74 million) over the next four years.

Sirs,

not only does the fate of many private Italian shipping companies rest on your decisions regarding Tirrenias business plan, but also the hopes of liberalising coastal shipping trades as ordered by the European Union from January 1, 1999.

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RICHARD DONKIN

The right questions

Knowing your headhunter is the key to a successful search

Recent statistics issued by headhunting organisations suggest that executive search activity has been slowing down after a period of strong growth. From the point of view of the consumer it may not be a bad thing that some of the heat has been taken out of the market.

It was probably coincidence but the question of standards arose at two separate meetings last week with search consultants.

One of the consultants complained that many client companies were not discerning enough when engaging their headhunters. "They don't ask the right questions," he said.

"In fact some don't ask questions at all beyond the price."

One problem may be that too few clients know the types of questions they should be asking so I rang around some experienced hands in the search business to make a "hit list" of questions that could be useful to ask a headhunter when evaluating its services.

● Is the firm or the individual headhunter a recognised specialist in their field with knowledge of a particular sector and do they have a reputation in a particular industry or marketplace? This can be important if potential candidates are to take their calls. Alternatively a generalist might be a better bet for a non-executive appointment.

● Can the firm provide detailed information on successful completed assignments for, say, the past 12 months? What is its success rate – the percentage of successful placings among all assignments?

Can the firm provide references from previous clients?

● How long is the search going to take? As a guide it might be pertinent to ask the average time taken for a search from previous successful assignments.

● What is the average length of stay of a chosen candidate? This may be a useful pointer to the quality of past recruits.

● Who is going to do the search? Will it be the smartly dressed partner fronting the deal, the consultant who comes along to the presentation as a sidekick, or the researcher hidden away in a basement? The use of researchers is not necessarily a bad thing but their role is sometimes disguised. The search firm should be able to spell out the role of any individual with a significant involvement in the search.

● How is the candidate short-list sourced and researched? How thorough will the firm be in checking the suitability of short-listed candidates?

● What is the firm's off-limits policy and how is it applied? One of the biggest irritants among the clients of headhunters is to find the firm they engaged to recruit people a year ago returning to poach people for another client. It might be useful to ask the firm if it will list its other clients. If they include all your competitors you might wonder where the firm finds its candidates.

● Can the firm provide references from previous clients?

● What is the fee structure and in what circumstances might the client expect the firm to carry out a second search free of charge? Is it a failed search, for example, if a recruit ups and leaves after six months in the post without any provocation from the employer?

Nancy Garrison Jenn, a consultant on the headhunting business, includes some helpful tips in her book, *The Global 200 Executive Recruiters* (Jossey-Bass). The ownership structure, she points out, can point to the way that consultants work together. Mentions by candidates or recommendations by other customers are other good ways, she says, to get a sense of a firm's competence.

Ideal employers

Universum, the Stockholm-based research company, which asks graduates across Europe to rank companies in terms of their popularity, has just released its findings for 1999.

In an ever-changing business environment there is remarkable consistency in the findings five years into the survey. McKinsey tops the list again with Andersen Consulting and Boston Consulting Group chasing positions. More than 5,000 students at leading business and engineering and science institutions in 13 European countries were surveyed for the report.

PricewaterhouseCoopers has moved up the list, reflecting the merged status of the former firms, and both Goldman Sachs and L'Oreal moved into the top 10. Some of the biggest leaps in popularity have been made by Nokia and KPMG.

The persistence of US consultancies at the top of the list perhaps reflects a view among graduates of these employers, with their "up or out" employment policies, as ideal staging posts to future careers.

Given the choice between three years' paid employment with McKinsey and three years completing a university PhD, it seems many students would opt for the former if they have an eye on earnings potential.

But high earnings do not necessarily dominate graduate aspirations, according to the UK rankings (from a survey of 2,550 graduates) where the BBC tops the list, with the Foreign Office in fourth place. The reason that some employers come into the list seemingly from nowhere is that they were not originally put forward to graduates. Not one investment bank makes the UK top 20 favourite employers and McKinsey does not make the top 50 in the UK.

Universum tel: + 46 8 5620 2725

richard.donkin@ft.com

Ideal employers in Europe and the UK

1999 ranking*			1999 ranking*		
1	(1)	McKinsey & Company	1	(68)	BBC
2	(3)	Andersen Consulting	2	(n/a)	Virgin Group
3	(2)	Boston Consulting Group	3	(11,8)	PricewaterhouseCoopers
4	(5)	Coca-Cola International	4	(n/a)	Foreign Office
5	(15,18)	PricewaterhouseCoopers	5	(2)	Andersen Consulting
6	(4)	Procter & Gamble	6	(1)	British Airways
7	(6)	BMW	7	(20)	Arthur Andersen
8	(11)	Unilever	8	(16)	Ernst & Young
9	(13)	Goldman Sachs	9	(10)	Sony
10	(16)	L'Oréal	10	(21)	KPMG
11	(20)	Arthur Andersen	11	(3)	Microsoft
12	(7)	Nestlé	12	(4)	Coca-Cola International
13	(9)	Microsoft	13	(15)	British Aerospace
14	(14)	IBM	14	(6)	Marks and Spencer
15	(8)	Hewlett-Packard	15	(13)	BMW
16	(29)	Nokia	16	(5)	IBM
17	(35)	KPMG	17	(29)	Deloitte Touche Tohmatsu
18	(12)	Siemens	18	(7)	The Boots Company
19	(17)	Daimler-Benz/Daimler Chrysler	19	(12)	Reuters
20	(10)	JP Morgan	20	(9)	Shell

Source: Universum · * 1998 figures are in brackets

WORKING BRIEFS

Web site reveals the pitfalls of working on the internet

Hardly a day goes by without some information technology employer talking about staff shortages. There is no shortage of openings. Working in IT, we're told, is a great job, promising big money at an early age, with few entry barriers. So where's the downside?

Before applying for that job on the Monsterboard or any of the other internet-based recruitment sites it might be worth visiting another web site called NetSlaves (*www.disobey.com/netslaves*) to see what kind of existence might lie in wait for you.

The site highlights stories of employee exploitation among companies serving or based on the internet. Having worked six years for online businesses, with work days averaging 17 hours in one business, Bill Lessard has created the site with another hard-pressed colleague, Steve Baldwin, to warn potential recruits of the pitfalls in online working.

Their web pages include a multiple choice test to discover whether you are a NetSlave with options ranging from A to D. Asked to describe your home, option D offers: "Don't remember but can describe the office."

The site reminds me of a cartoon in the latest issue of Private Eye, the satirical magazine. The internet user, sitting in front of his screen, taps into his search box the words: "A life".

Self-help books

Two new books from the Industrial Society focus on related subjects. The first, *Harassment, Bullying and Violence at Work* (£16.99) by Angela Ishmael with Bunmi Alemoru, includes case histories that some workers will find familiar. More importantly it gives advice on how to recognise and cope with bullying when it happens to you.

The second book, *Machiavelli or Motivator? How To Play Office Politics, and Win* by Jane Clarke (£10.99), recognises the subtlety of employee relationships in office life and somewhat controversially describes office politics as an "essential skill" in the workplace. It offers tips on how to deal with backstabbing, cliques and destructive gossip.

Industrial Society: +44 870 400 1000, www.indsoc.co.uk

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RJB Mining PLC, the UK's leading coal producer, is seeking a Managing Director to head up a new Mining Consultancy Division within the Company. RJB Mining already undertakes limited consultancy work internationally, and through the new division, is seeking to exploit the commercial opportunities offered by this growing sector.

We are looking for a good communicator with strong managerial and leadership skills, highly self motivated and eager to meet the challenges of a key dynamic role in a fast moving and forward thinking business. Reporting directly to the Chief Executive Officer, the Managing Director of Mining Consultancy will be responsible for establishing and developing the consultancy around the world, utilising the facilities and skill-base available within the business.

Based at the Company's head office in Harworth, South Yorkshire, the consultancy division will be able to draw on the skills of RJB Mining's 8,100 staff, to provide advice and training both on site and at the Company's own facilities in the Midlands and northern England.

Applicants will preferably already be operating in a senior position with a mining consultancy. An engineer (or similarly qualified), they will have extensive experience and the ability to work effectively at all levels within the industry.

RJB Mining operates 15 deep mine collieries and a similar number of opencast sites in the UK, and has mining interests in Australia. In 1994 the Company acquired the English operations of British Coal and established itself as the key supplier of coal to the UK power generation business.

Candidates should write in total confidence, with full CV indicating detailed experience to:
Richard Budge, Chief Executive, RJB Mining PLC, Harworth Park, Blyth Road, Nr. Harworth, Doncaster DN11 8DB.

Global US Investment Bank

European Capital Markets & Investment Banking

London **£ Attractive**

This global US Investment Bank specialises in providing innovative advisory services and financing arrangements for their clients. The bank offers a wide range of financial services to corporations, governments and financial institutions through a global network operating in over 180 countries.

Capital Markets

As one of the leading global providers of Debt Capital Markets products, the bank is renowned for providing creative thinking combined with a reputation of the highest order. The division has a focus on the origination of Eurobonds, Structured Transactions and Private Placements.

As a result of increased demand for their expertise, the division is seeking to recruit experienced Associates to provide specific product support in identifying, negotiating and structuring new business issues. Associates will ideally have a strong academic background, 3-4 years' experience client exposure and the necessary energy to succeed in this challenging environment. An MBA and a second European language would be advantageous for the role.

The division is also seeking to recruit a number of Analysts to assist the product teams in assessing new issue propositions, ongoing monitoring of existing business, financial modelling and research. Analysts will ideally have a strong academic background, 1-2 years' experience on a bank graduate training program, including Capital Markets product exposure.

Investment Banking

The Investment Banking teams include Leveraged and Syndicated Finance and Mergers & Acquisitions as well as client management. These teams are market leaders in offering a bespoke range of corporate finance advisory, debt and equity solutions to their global clients.

Following a substantial growth in this business over the last year, the Investment Banking teams are seeking to recruit experienced Associates to assist origination professionals in negotiating and structuring new transactions. Associates will ideally have a strong academic background and have gained significant deal exposure over a 3-4 year period with another leading player. An MBA and a second European language would be advantageous for the role.

The Investment Banking teams are also seeking to recruit a number of Analysts to assist in providing financial analysis of existing and new deals, geographical and industry research and marketing support. Analysts will ideally have a strong academic background, 1-2 years' experience in a bank graduate training program and strong financial modelling skills.

These positions offer excellent opportunities for individuals with the required skills to join a market leader in Capital Markets and Investment Banking. Successful candidates will receive an attractive remuneration package, which will entirely reflect experience.

Interested individuals should contact Robin Keck or Tim Smith at Michael Page City on 0171 269 1872 for an initial discussion. Alternatively, please send a detailed CV to Michael Page City, 50 Cannon Street, London EC4N 6JJ, fax 0171 329 2986 quoting reference 507309, e-mail: robinkeck@michaelpage.com

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Shell Capital

ASSET SECURITISATION

Banking packages **LONDON & HOUSTON**

Shell Capital is the new global financial products business of the Royal Dutch/Shell Group of companies. Our mission is to become the leading provider of financial products in the energy, petroleum and petrochemicals industries. We are originating and structuring transactions in several product areas, including business-to-business and consumer cards, real estate, small business loans and reserve-backed financing. We seek professionals with significant experience in securitising card receivables and other assets using bank conduits and public market transactions.

The Positions

- Liaise with Business Developers in development of new products and origination.
- Lead transaction teams working with clients and financial institutions.
- Structure the various risks and features of the transaction to ensure that the economics, legal, tax and accounting aspects are sound and advise on suitable operational and financial counterparties.
- Tailor products to ensure efficient sell-down.

The Requirements

- Proven track record with 5+ years of experience in closing complex transactions, involving the structuring of transactions and the distribution of funding into different markets.
- Network of contacts in the financial world.
- Clear understanding of the risks and rewards involved in taking on a residual or subordinated position in a transaction.
- Ability to work in a non-hierarchical, rapid growth environment.

For European applicants, please send your CV with current salary details to: Sally Rowley-Williams, K/F Selection, 252 Regent Street, London W1R 6HL. Alternatively send by fax on 0171-312 3380 or by e-mail to kfs-london@kornferry.com

For US applications, please contact James Winfrey, K/F Selection, 1100 Louisiana, Suite 2850, Houston, Texas 77002. Or by fax on 713 651 0848 or by e-mail to winfreyj@kornferry.com Please quote ref: 6638/04. Internet Home Page: http://www.kfselection.com

K/F SELECTION
A DIVISION OF KORN/FERRY INTERNATIONAL

HEAD OF BOND CREDIT RESEARCH

Frankfurt **£Competitive Package**

Our client, is a highly successful asset manager and part of a leading **European investment banking group.** Assets under management encompass all of the world's markets and have continued to perform, reflecting the strength and style of the investment strategy.

The Asset Management Research Team is a truly global facility providing product and sector specific advice to fund managers and external clients. The strength of the organisation is built upon the expertise of its own high calibre team of analysts and draws upon the specialist knowledge of researchers in its network throughout the world.

This is an excellent opportunity to join a dynamic, meritocratic organisation and a superb opportunity for career growth.

The Position

- You will be responsible for corporate credit research and manage internal and external information sources to form a coherent credit policy for the whole spectrum of credit risk on a European and global basis.
- You will be responsible for building a first-class team.

The Candidate

- You will have at least 3 years' bond credit experience and may be an analyst who is looking to head up a team.
- You must have an outstanding academic record, ideally including an MBA.
- Previous managerial experience is not a pre-requisite.

Please send CV or contact Tabassum Ahmad at Rizwan Nash, 21 Ellis Street, London SW1X 9AL
Tel: 0171 730 4211 Fax: 0171 730 0611
Email: response-rizwan.nash@btinternet.com

Rizwan Nash

Major Gulf Financial Institution

Newly created high profile roles to lead change and development in two key areas

Middle East **Attractive Expatriate Packages**

This leading Middle Eastern bank has a significant position in both consumer and corporate banking. The bank has assets of some US$7bn and a network of branches. With a strong reputation based on the excellence of its service to customers, the bank is well positioned for continued growth and development both domestically and internationally. The following roles have been created to play a key part in the further development of the bank's business:

Deputy General Manager - Consumer

Working closely with the General Manager, Consumer Banking, the appointed candidate will manage and develop some 300 staff. The primary responsibilities will be to lead, control and direct all aspects of consumer banking activities to achieve agreed targets and performance standards, and make a significant contribution to the bank's bottom line. Key tasks will include maintaining excellent customer service throughout the branch network; developing and implementing products and services that meet customer needs; and ensuring that the bank maintains its lead in a highly competitive market place. Ref: 99319L

Deputy General Manager - Corporate

Working closely with the General Manager, Corporate Banking, the appointed candidate will lead and motivate a team of 70 corporate bankers providing a range of corporate banking services, primarily in respect of trade, credit and treasury products. The principal aims will be to achieve agreed targets and performance standards, and make a major contribution to the bank's profitability. This will include establishing a successful private banking business. Management of the team through significant change and development will be key in a competitive market place. The job holder will be dynamic and innovative in management style and strategic thinking. Ref: 99318L

For both roles previous senior management experience in the respective functions is a prerequisite. This will have been gained in a well respected international bank. Middle Eastern experience would be an advantage. Candidates should have a strong track record and proven management skills; the ability to develop and implement effective strategies; and the ability to manage change and improve performance. There will be a competitive remuneration package, including the full range of expatriate benefits.

Please send a full CV in confidence to GKR at the address below, quoting the appropriate reference number on both letter and envelope, and including details of current remuneration.

GKR

Queensberry House, 3 Old Burlington Street, London W1X 1LA.
Tel: 0171 534 0079. Fax: 0171 534 0005.
E-mail: lbull@gkrgroup.com

CHIEF FINANCIAL OFFICER

International Real Estate company requires for its Paris offices an experienced, young and dynamic Chief Financial Executive.

Our requirements are :

- Experience in a similar environment, not necessarily in France.
- Perfectly bilingual.
- Computer literate including substantial experience in our information technology environment.
- Workaholic.
- Nationality unimportant
- Impeccable references.
- Sound educational level.
- Team player.

We offer an outstanding career opportunity in a highly motivated environment. Excellent package included.

Handwritten replies, photo etc,
DOUBLE-DEUX, 10, rue Royale – 75008 PARIS

VICE PRESIDENTS

SECTOR FOCUSED STRATEGIC ADVISORY/M&A

LONDON BASED **£ EXCELLENT PACKAGES**

Rabobank International is a major division of Rabobank Nederland, one of the world's leading international banks with assets in excess of NLG390 billion and a AAA credit rating.

As a result of the continuing development of their international Strategic Advisory/M&A business, Rabobank has a requirement for a number of experienced M&A professionals at Vice President level. The Strategic Advisory/M&A team, as part of a global M&A network, operates as a research driven, client focused, industry targeted advisory group and concentrates on the Bank's three global focus sectors: Food & Beverages, Transport & Logistics and Healthcare.

Vice Presidents are expected to run project teams, with a high degree of independence, and to have close involvement in the origination of transactions; hence those with experience within the Transport & Logistics or Food & Beverages sectors will be of special interest. The role involves working, from a London base, as part of the integrated pan-European Strategic Advisory/M&A team which is located across Amsterdam, Barcelona, Budapest, Frankfurt, London, Madrid, Paris and Warsaw.

CANDIDATE PROFILE

- Degree plus additional qualifications (i.e. ACA/MBA) or equivalent.
- Minimum of 5 years' relevant experience of transaction execution either within investment banking, industry or management consultancy.
- Experience of crossborder M&A and corporate advisory within Europe.
- Additional European language skills preferable.
- Strong technical/modelling skills.
- Ability to manage "hands-on" transactions with a great deal of independence.
- Ability to participate in high-level client presentations and on-going client contact.

Interested candidates should send their resumes in strict confidence, including current remuneration, to Sam Dewhurst at: The Berwick Group, 51 Lincoln's Inn Fields, London WC2A 3LZ. Tel: 0171 404 6446/ Fax: 0171 404 6062/email sam.dewhurst@berwickgrp.com

THE BERWICK GROUP

Chief Information Officer

Korea Exchange Bank, Korea's leading Bank in the fields of international finance and foreign exchange business, is now striving to establish itself as a Global Universal Bank, representing the Korean financial industry. The Bank is looking for a Chief Information Officer, who is well versed in financial business and information technology.

Responsibility

- Setting a vision for the Bank's information & systems operation, establishing IT management strategies, and expanding the Bank's business base through active utilization of the information & systems infrastructure
- Assessing the trend of IT development and its effects on the management base, presenting the timing and manner for the utilization of IT infrastructure
- Providing advisory service on information & technology to the Information & Systems Unit and the management

Professional Qualification

- Experience of no less than ten years as a manager in one of the leading financial institution
- No less than five years in a financial institution's IT related project
- No less than three years in electronic banking business
- No less than one year in a data warehouse or knowledge management project

Personal Qualification

- Master's degree or higher in the Information & systems field (including MBA)
- Insight on the banking industry and deep understanding of the IT sector
- Ability to manage IT business and project promotion capacity
- Person having the ability as an IT evangelist and experience preferred

If you feel that you have these qualities, personality and drive, then send your Curriculum Vitae with salary requirements to M.S.Kim by fax 822 775-9812.

KOREA EXCHANGE BANK
181,2-Ga,Ulchiro,Chung-Gu, C.P.O. Box 2924, Seoul 100-793, Korea
Fax : 822-775-9812 Tel : 822-729-0096

Recruitment **Net.Works** The FT IT Recruitment section is also available all week on www.FT.com

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Take a share in managing other people's shares.

Joining Matrixx (26,000 people including 500 in France - *partner to the largest world wide groups*), means working at the forefront of a forward looking *company* on *large* scale operations. We are seeking for one of the largest industrial and financial groups *and a major international* player :

Customer Advisers

Baccalaureate + 4 years further education or relevant experience

After training in the Group ethos, you will be responsible for explaining *employee shareholding* schemes to its collaborators in various countries, mainly European.

You will be educated to Baccalaureate level + 4 years further education *or* you will have banking experience. You will be bilingual in French/English or Spanish, Italian, German, Portuguese, Flemish, Walloon, Arabic...

Your relational qualities, your sense of duty and counselling skills will guarantee the quality of your ability to communicate and your commitment.

These positions, which need to be filled quickly, offer a top level professional environment.

For this position, please call + **33 1 53 60 60 36**
or apply in writing quoting réf. CC/FT to Matrixx - Recruitment Department - 153, avenue d'Italie - 75013 Paris - France.
E-mail: recruit-france@convergys.com - wan : matrixx.fr

MATRIXX MARKETING

REGIONAL MANAGER
EUROPE

Well established USA. based Int'l Financial Services Co. is seeking Regional Manager to work out of London or Paris.

Responsibilities include: operational management of company offices in Europe, recruit & direct agents & company employees, regulatory / compliance maintenance. Develop & implement budget & marketing strategies & long term plans. Maintain & secure banking relationships. Full charge of financial management.

Ideal candidate will have min. 5-7 yrs. business, sales or marketing exp. Understanding of currency moves a plus. Should have advanced University degree in business admin., *marketing or finance.* Full command of English req'd. & knowledge of French preferred. Experience with regulatory *matters helpful. Strong communication & data processing* skills important.

FAX resume and salary history in strict confidence:
Directly to U.S.A. 212-888-4782

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High profile and dynamic private company seeks an individual, aged 23-35, to be trained by Senior Manager with a view to replace him! Suit those looking for a career with responsibility and earnings commensurate with that position.

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15 years international experience in various positions with AAA rated institutions

MBA in Finance

Fluent in English/ French/German (Spanish)

Contact by fax: +41 79 0 601 72 16

sib
SWISS INTERNATIONAL BANKING SCHOOL

FINANCIAL SERVICES PRACTITIONERS AND CONSULTANTS

Immediate Full-time Teaching and Consulting Opportunities at our *new School in Basle, Switzerland*

We are looking to appoint five outstanding financial practitioners/consultants to become lecturers/consultants to our School.

Ideally, candidates meet the following requirements:
- MBA in finance, accounting, law or related fields
- *5 years of financial or investment experience*
- 3 years of management training or teaching experience
- Innovative attitude with desire to combine teaching and consulting
- *Team spirit*
- Excellent English writing, presentation and oral skills
- Be able to re-locate to beautiful Basel

*This is a rare opportunity to join the establishment of a new international bank*ing school, specializing in providing high-level education and skill-based career paths to financial practitioners. The School will provide BSc, Masters Programmes,Sc, *Executive Development, Research and Consulting programmes.*

Successful applicants will have the power to shape the schoolis future and be given the option to join a dynamic consulting group.

SIB is looking for lecturers/consultants who have specialist knowledge and experience in:

1. **IT/Software/Operations:** *IT solutions and technical problems in inter*national finance service organizations, investment banks, multi-national corporations.
2. ***Finance Theory and Finance Product Development:*** Exchange traded instruments, derivatives, valuation and pricing models, hedging and financial modeling.
3. ***Finance Law and Documentation:*** *Financing agreements, OTC deriva*tives instruments, structured products, securities and international negotiations; most likely to be a lawyer with not less than 5 years experience in the financial services.
4. **International Management and Strategy:** Economic, industrial and corporate finance analysis, M&A, MBOs, organisational development, organisational design and change management.
5. **Investment Management:** Insurance, pension funds, asset allocation, global custody and portfolio analysis.

Should you be interested, please contact Joe Tanega, Dean, and send application with CV to SIB, P.O. Box, 4002 Basel, Switzerland, Tel. 41-61-417 2000, Fax 41 61-417 2001, E-mail: sib@ibtti.ch or London at Tel. 44-171-955 8300, ext 8027, or email to kare.tanega@which.net

UNIVERSITY OF CAMBRIDGE

Careers Service and the Judge Institute of Management Studies

MBA and Generalist Careers Adviser

Careers Service and the Judge Institute of *Management* Studies are looking for someone with a strong interest in students and their futures to work partly with MBA students and partly with other students and graduates of the University. You will join the busy team of the Careers Service (10 advisers and 24 other staff) serving Cambridge students and their employers, but you will *also* have a base within the Judge Institute.

A degree and substantial experience of work is needed. For the MBA work you must have an up-to-date knowledge of private sector business. Essential personal qualities include enthusiasm, curiosity, objectivity, stamina, and the ability to switch tasks frequently. Above all you need to like people and be able to work under pressure, both independently and in a group. Professional *training courses will be available.*

Appointment will initially be for three years. Salary will be up to £31,010 a year, according to age and experience.

Because this is an unusual job it is essential before applying to obtain further *details by telephoning the Careers Service* (01223 338288). The closing date is 14 May.

The University follows an equal opportunities policy.

HIGH-YIELD TELECOMS ANALYST
BASED IN LONDON

Our client is a highly ranked European investment banking institution with current ratings of Moody's Aa1, Standard & Poors AA+ and IBCA AAA. They are reinforcing their European High-Yield capability by increasing team size and by focusing considerable resources on certain sectors.

As a result, they are looking to recruit a sell-side telecoms analyst, to work alongside the Head of High-Yield Research. Candidates must have strong analytical and financial modelling skills, the ability to interpret figures and good written skills. Previous experience of publishing high-yield sell-side research is not necessarily required, but a minimum of 3 years' experience in the European Telecoms Market is a prerequisite, whether in industry, equity research or investment banking.

Interested candidates should send their resumes in strict confidence, including current remuneration, to Laura Vickers at The Berwick Group, 51 Lincoln's Inn Fields, London WC2A 3LZ. Tel: 0171 404 6446/ Fax: 0171 404 6062/email laura.vickers@berwickgrp.com

THE BERWICK GROUP

Euro interest rate swaps excellent package

A major international broker is looking to expand its activities in the Euro interest rate swap market.

Operating from their London office candidates should have the following:

- **2/3 years experience as a broker or bank trader/marketeer in the swap market.**
- **A proven client list.**
- ***The ability to make a positive contribution to the existing business.***

Salary will be commensurate with skills and experience. All responses will be handled in the strictest confidence.

Please send your curriculum vitae and details of current remuneration package to:

Box A6840, Financial Times,
One Southwark Bridge, London, SE1 9HL

IT Appointments

DEPUTY TO THE I.T. MANAGER
PROJECT MANAGER **PARIS**

The Council of Europe Social Development Fund is a renowned multilateral development Bank, wishing to reinforce its I.T. Department by the creation of a permanent position of deputy to the I.T. Manager.

- You will take part in the implementation and maintenance of the new information system.
- You will participate in:
  - *Strategic orientation* and functional architecture
  - *Requirement analysis*
  - Software selection and implementation.
- You will be accountable for the supervision of projects *including* implementation, cost, co-ordination of internal and external resources.
- You will be responsible for *the follow-up and upgrading* of the *information* system in liaison with users.

This position, closely related to the decision centres, requires a degree in information technology, a proven record of success in project management gained either in a banking institution, in a consulting firm or a software company.

Candidates should send their application (C.V.,photo, present compensation package), quoting reference FD-1443

AD HOMINEM International
5, rue de Surène
75008 Paris - France
Fax : (33-1) 47 42 08 06
E-mail : adhominem@infonie.fr

IT BANKING

S&H Consulting Limited

CAREER OPPORTUNITIES IN CONSULTING FOR

Project Managers • Business Analysts • Technical Architects

Our client is a well respected and established consultancy firm, delivering quality professional services and expertise *to banks and financial institutions.*

Their continued success has resulted *in* opportunities for Consultants and Junior Consultants to be part of, and contribute *to, their growth strategy.*

All positions require experience of one or more of the following:

- Treasury and Capital Markets
- Risk Management
- Middleware
- Back Office and Settlement Systems
- Derivatives and Fixed Income
- *Financial Software* Development.

You must have:

- At least 2 years' experience of IT banking
- Good interpersonal skills to develop client relationships
- The ability to plan and manage your own work
- A pragmatic approach to problem *solving*
- An all-round positive attitude
- A delivery oriented approach.

This Consultancy has a strong people culture and is fully committed to *major investment in training and career development.* Individual responsibility and achievement are recognised, encouraged and rewarded.

Please send your CV to Alan Summers, quoting reference FT0499A at S&H Consulting Limited, Lloyds Avenue House, 6 Lloyds Avenue, London EC3N 3AX. Tel: 0171 481 1171.

email): SHConsult@aol.com

Specialist Recruitment for the Banking and Finance Sector and the Suppliers to that Sector

Ready for a world of information?
Group Finance Systems Controller

West London **£ Excellent package**

Taylor Nelson Sofres is one of the world's leading marketing information organisations with more than 4,600 employees in over 30 countries. We have one of the most dynamic records *of growth and* profitability amongst companies listed on the UK Stock Exchange and are the only research agency quoted as a FTSE 250 company. Our success is based on the excellence of our people *and their* ability *to* deliver innovative solutions to major brand leading, blue chip companies.

As part of our continued growth and success, we have a new and challenging opportunity within the organisation. We seek to recruit a Group Finance Systems *Controller to take* overall responsibility *for driving* the development of group-wide finance systems, supporting the improvement of performance through the provision of better information for decision making. With this *it will bring greater control,* speed and efficiency of *processing.* The position reports into the Group Financial Controller, but will work closely with the Group IT department, as well as external suppliers.

We seek a talented individual, who can bring with them a real willingness to take on responsibility, as well as being adaptable, a *problem* solver and having the imagination to see *both the global* and local picture.

Ideally, you should *have previously* held a senior financial systems position within a large international finance department, and have a good working knowledge of software and multi-office database packages, as well as a *desire to* become the 'expert' in the finance systems of a *complex* group.

You should also have gained experience in project management and systems implementation internationally, as well as having outstanding communication skills. Language skills, particularly French, would be *advantageous.*

As a highly successful world-wide group, we can offer you a *dynamic opportunity* with real responsibilities and a chance *to make an* impact. To apply, please send your CV and a covering letter to:

Sharon Perez, Resourcing Director,
Taylor Nelson Sofres, *Westgate,* London W5 1UA, UK
Email: Sharon.Perez@tnsofres.com
Fax: +44 (0)181 967 4055

[illegible]

TAYLOR NELSON SOFRES

KAPPA

Kappa Management International Limited, the UK subsidiary of the Paris-based Kappa Group, has opportunities for degree qualified professionals with IS skills in the banking and insurance sectors.

Please reply with your CV and details concerning availability and salary to:
Emmanuel KMIL,
Jessops House,
100 Tamworth Road,
Croydon CR0 1XX
Tel: 0181 688 2217
Fax: 0181 688 4336
E-mail: ejosserand@hotmail.com

PROJECT MANAGERS
FINANCIAL BUSINESS ANALYSTS
ARCHITECTS

In response to the varying needs of our clients, you will be involved in technical and business feasibility studies, work specification and project control.

The ideal candidates will have a background in financial business processes or in project management and will possess excellent communication and interpersonal skills.

For the senior positions, proven leadership and initiative qualities will be important.

ACCOUNTANCY APPOINTMENTS

SENIOR PROPERTY ANALYST

LONDON **TO £65,000+CAR+BENEFITS**

Recognised as one of the largest and most successful corporations operating in a highly competitive sector, this is a truly global business employing in excess of 100,000 across all five continents.

This high profile role has materialised at a significant stage of the corporations development. Both varied and challenging, the position will be largely project based, covering a portfolio in excess of seven million square feet across Europe, the Middle East and Africa.

As a key team member charged with ensuring that real estate solutions are in the best interest of the shareholder, key responsibilities will include:-

- performing financial analysis on real estate alternatives and evaluating proposals to assist senior management in making strategic decisions
- analysis scenarios frequently include acquisition and disposals, sale/leaseback, own versus buy, build versus buy and construction projects alternatives
- ensuring that all analyses adheres to corporate accounting policies as well as identifying tax issues and solutions
- preparation and recommendation of major expenditure programs.

The successful candidate will be a qualified accountant or MBA with a demonstrable track record of achievement to date, prior knowledge of property management/investment/development is essential.

Highly developed communication and analytical skills are prerequisite as is the ability to present business issues and recommendations to senior management.

Interested candidates should contact **Charles Davenport or Jon Vonk** at **Robert Walters Associates, 10 Bedford Street, London WC2E 9HE.**

Tel: 0171 379 3333 (Fax 0171 915 8714).

E-mail: charles.davenport@robertwalters.com

Web: http://www.robertwalters.com

You may also apply via http://taps.com/Robert_Walters quoting reference RW315.

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ROBERT WALTERS ASSOCIATES

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DEBENHAMS
BRITAIN'S FAVOURITE DEPARTMENT STORE

Financial Analysts

Excellent Packages

London

The Company
Debenhams Plc is the UK's market leading, clothing-led department store with a turnover of £1.4 billion, and was recently awarded Retailer of the Year. Plans for the future include the opening of 15 new stores within the UK, coupled with additional overseas expansion. Continued growth of the business has resulted in the need to recruit a number of positions in the finance function in order to aid the commercial decision making process.

The Opportunities
The head office finance team in London provides the business with essential financial analysis and commercial support. Debenhams has a commitment to providing individuals with challenging commercial experience. They have a demonstrable record of recruiting high calibre individuals at this level and progressing them through to senior management positions. You will gain exposure to strategic planning, performance review, investment appraisal and cost/value analysis – working directly with the line functions.

The Individuals
Suitable candidates will be recently qualified accountants with proven academic ability. Your personal qualities will be even more critical than your technical skills and you will be able to demonstrate credibility with non-financial people, commercial awareness and a flexible approach. You will also have well developed analytical and PC skills, with the determination and drive to succeed within a highly pressurised team environment.

The Benefits
In return for your commitment, they offer a very competitive remuneration package including a car or car allowance, bonus up to 20%, 1-6 zone travel card, generous staff discount and a contributory pension.

Debenhams is an equal opportunities employer.

For further information, please call Mark Freebairn or Louisa Murphy at Martin Ward Anderson on 0171 240 2233. Alternatively, send or fax your CV to them at Martin Ward Anderson, 7 Savoy Court, Strand, London WC2R 0EL, fax 0171 240 8818, or email them on m.freebairn@mwa.co.uk. Please quote reference 108275.

MWA
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HANOVER
HOUSING ASSOCIATION

Assistant Director of Finance

The Hanover Group is one of the leading providers of high quality housing and support services for older people in the United Kingdom. This forward looking and innovative Housing Association has a group turnover of over £30 million and manages around 15,000 rented, leasehold and freehold homes throughout England.

Staines, Middlesex **c £42,000 + Car**

Reporting to the Group Director of Finance, this role has a key part to play in developing the strategic financial plans for the group and its financial management reporting.

Responsibilities of this broad and challenging role include:

- Reviewing and assisting with the preparation of all financial appraisals in relation to strategic planning initiatives and new business ventures.
- Overseeing and assisting with the preparation of all financial management information including the group budget and financial aspects of the corporate plan.
- Controlling and developing the treasury management of the Group.

The successful candidate will be a qualified accountant with strong commercial acumen and at least five years experience at senior management level. Excellent communication and presentation skills are essential.

Interested candidates should write, enclosing their CV and details of current package, to Matthew Morris at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN. Fax 0171 831 6293. e-mail: matthewmorris@michaelpage.com Please quote reference 506304. The Hanover Group is an equal opportunities employer.

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Finance Manager

Dublin **c £50,000 + Car + Package**

Our client is one of Europe's leading retailers with an outstanding record of growth. Demonstrating an innovative and refreshing style to food retail by providing the highest quality products at the lowest possible prices.

The development of the Irish market is part of their continued long-term expansion plans which has created a superb opportunity for a Finance Manager for Ireland. As Head of Finance and Administration you will report to the Managing Director. The role will have a wide and varied brief encompassing the following:

- Implementation of financial and management account systems.
- Ensuring policies and procedures are to company standards.
- Responsibility for IT and implementation of accounting software.
- Company secretarial duties including human resources.
- Statutory returns to appropriate bodies.

This key role requires a commercially focused, self motivated, young qualified Accountant.

The demands of the role ensure that the individual must have a flexible, hands on approach with a willingness to be involved in all aspects of the business.

Prerequisites are not only your excellent interpersonal and motivational skills but also a track record of achievement from within an expanding organisation. The successful individual will also have a working knowledge of German.

If you feel you have the necessary drive and ambition to contribute to the continued success of this top retailer, please contact our retained consultant Laurence Pengelly at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN or fax him on 0171 242 7387, quoting ref 495464. e-mail: laurencepengelly@michaelpage.com

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INTERNATIONAL OIL & GAS COMPANY

EXCELLENT PACKAGE LONDON

Successful British independent requires outstanding accountants for two key roles within high-calibre head office finance team.

CONTROLLER

THE POSITION

- Responsible for head office accounting function and preparation of Group's published and subsidiary statutory accounts.
- Manage team of six, covering financial accounting, ledgers, accounts payable and payroll function for 70 employees.

QUALIFICATIONS

- Qualified accountant with 5+ years' PQE, mostly gained in upstream E&P business. Knowledge of UK GAAP essential.
- Strong supervisory skills. Previous experience with Coda and/or SUN general ledger preferable.

MANAGEMENT ACCOUNTANT

THE POSITION

- Responsible for annual group budget preparation and monitoring. Prepare forecasts to assist development of corporate strategy.
- Ensure timely submissions for management reporting, including monthly Board reports.

QUALIFICATIONS

- Qualified ACA or ACMA with 3+ years' PQE in oil and gas industry. Track record of achievement.
- Broad-based commercial background. Familiar with economic modeling techniques. Strong analytical skills.

Both positions report to the Group Finance Manager and require highly motivated professionals with excellent interpersonal skills and the confidence to challenge and influence at the highest management levels.

Please send full CV, stating salary and ref: RD15/16, to SPC, Lynwode House, Summerhouse Road, Godalming, Surrey GU7 1PY. Tel: 01483 428215 Email: signorelli@compuserve.com

SPC
SIGNORELLI PETROLEUM CONSULTANCY

Chief Financial Officer

Central London **c £45,000 + Bens**

An excellent opportunity exists within this dynamic and very profitable software and computer peripheral company. A combination of niche market leading products and impressive sales performance has provided a platform of fast growth which is set to continue. These growth expectations and a recent business restructure has created a requirement for a hands-on, commercially minded CFO.

Reporting to the Board of Directors, the main responsibilities will include:

- High level commercial involvement in decisions influencing future business growth.
- Development of management information systems.
- Production and commercial analysis of management reports.
- Development of logistics systems.
- Implementation of a new budgeting and forecasting process.

The ideal candidate will be a professionally qualified accountant with strong management systems experience, gained as a number one or two in finance of a small or medium sized commercial environment.

Key to this position is the individual's enterprising spirit and ability to operate in a fast growing, international, hi-tech development and distribution company. You will have strong stock control and IT skills. Excellent financial prospects for the right candidate.

Interested candidates should send a full CV to Nigel Barcham CPA at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN or fax 0171 831 8746, quoting ref 505251. e-mail: nigelbarcham@michaelpage.com

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Director of Finance and Administration

City of London | **SACKER & PARTNERS** | **c £70,000 + Bens**

Sacker & Partners is a City firm of lawyers, occupying the leading market position within their chosen field of pensions law. As a result of their success, they require a professional manager to take up the role of Director of Finance and Administration, to play an integral role in the management and development of the practice.

THE POSITION

- Develop all aspects of practice management and administration.
- Deliver astute and commercial financial management within a highly professional environment.
- Support and advise the Partnership with regard to best practice across a broad range of activities, from MIS and support systems to business development programmes.

QUALIFICATIONS

- Qualified accountant, with at least 10 years experience of commercial management, preferably within a professional services firm or partnership.
- Strong intellect, with excellent interpersonal ability evidenced by first class communication and organisational skills.
- Keen sense of purpose, able to move the agenda forward whilst achieving appropriate levels of buy-in across an extremely motivated and open partnership.

Interested candidates should write, in the strictest confidence, enclosing full career and salary details, to Jon Boyle at Questor International, 3 Burlington Gardens, London W1X 1LE, quoting reference 2626. Telephone 0171 292 8300. Fax 0171 287 5457. e-mail: lorraine@questorint.com

QI
QUESTOR INTERNATIONAL

FINANCIAL CONTROLLER

EXCITING OPPORTUNITY IN SUCCESSFUL INTERNET COMPANY

LONDON | **UP TO £60,000 + BENEFITS**

- Multex.com is a leading online investment research network serving the needs of both the individual and institutional investor. It enables timely access to over 1,000,000 research reports from more than 450 investment banks, brokerage firms and third-party research providers worldwide through the application of cutting-edge Internet technology.
- Multex.com has been one of the most successful flotations on NASDAQ in 1999. Multex's ambitious growth plans have created the need for a Financial Controller to join the London operation.
- Working closely with the UK CEO and the US based CFO, this broad based role covers all key financial elements involved in running an expanding business. Initial challenges include setting up systems and procedures to manage the company's relationship with Reuters and establishing sophisticated forecasting and budgeting models for the international business operations.
- You will be an ACA/MBA with at least 3 years' general PQE gained in a professional services environment such as a major accountancy practice. International experience, an understanding of US GAAP and knowledge of the financial services sector would be advantageous.
- Candidates must thrive in a non-bureaucratic environment characterised by pace, change and growth. First class communications capabilities will be combined with systems expertise, well honed financial modelling and analytical skills and a strong detail orientation.
- This is an exciting opportunity for an exceptionally talented and flexible individual who has the intellect and confidence to work at the heart of a rapidly growing business.

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Please apply in writing quoting reference 1806 with full career and salary details to:
Fiona Makowski, Whitehead Mann
11 Hill Street, London W1X 8BB
Tel: 0171 290 2054. Fax: 0171 290 2050
E-mail: jayne.totty@amrop.com
www.whiteheadmann.co.uk

Whitehead SELECTION

FINANCE DIRECTOR
MALAYSIA

A leading Malaysian engineering group, engaged in power, electrical, mechanical and electronics systems contracting is seeking a Financial Director.

The group is in sound shape and has made outstanding progress in recent years in expanding its business in terms of both scope of activities and market coverage. It has a permanent presence in several other Asian countries which now account for one-half of its business.

The group's managing and finance directors enjoy a high degree of autonomy and profit responsibility in demanding environments. Candidates must therefore possess well developed commercial acumen and thrive on shape-end involvement. The appointee will be expected to make an immediate contribution in the area of financial control, treasury and working capital management and business development.

Candidates, who must be qualified accountants, preferably with a U.K. qualification, are likely to be aged between 35 and 45, and will be able to demonstrate good career progress at a senior level in results-oriented companies. Prior experience in business involved in substantial project/contracting work is desired. The ability to respond to the culture of a largely indigenous workforce is also important.

Expatriate terms will apply.

Please reply with full curriculum vitae to Box: A6842, Financial Times, One Southwark Bridge, London, SE1 9HL.

Director of Finance
The University of Reading
Attractive Senior Level Remuneration

With its origins in the last century, The University of Reading is internationally renowned for academic excellence in its teaching and research. The University comprises over 4,500 academic and support staff and around 12,000 students, and has an annual budget of over £100m. The new role of Director of Finance, reporting directly to the Vice-Chancellor, reflects both the size of the University and the importance attached to its effective financial administration.

THE POSITION

- Full responsibility for all accounting and financial reporting. Develop systems and procedures to ensure accurate, timely management information and statutory compliance.
- Lead multifaceted budgeting process. Advise departments/faculties on resource allocation, financial management and grant bid preparation.
- Co-ordinate strategic financial planning. Key member of senior administrative team. Manage department of 60 staff.

QUALIFICATIONS

- Proven senior finance professional. Commercially-minded: experience of education/public sector an advantage.
- Qualified accountant: graduate. Excellent accounting and financial planning skills. IT literate.
- Natural manager and relationship builder. Effective, co-operative communicator; immediate credibility and impact at all levels.

Please send full cv, stating salary, ref LG201598FT, to NBS, 54 Jermyn Street, London SW1Y 6LX
Fax 0171 409 1786 Email joa@nb-selection.co.uk Tel 0171 529 1750

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A Rewarding Career in European Energy

Finance Manager
Madrid
c10m pesetas

Eastern Group is one of Europe's leading integrated gas and electricity companies with a turnover in excess of £3bn. Established as a market leader in the UK, the Group has strengthened its operations across continental Europe over the last 18 months, with offices in Ipswich, the Hague, Frankfurt, Milan, Madrid, Stockholm, Paris, Warsaw and Prague. A new opportunity now exists for an experienced Finance Manager to join the Spanish operation.

The Role

Working within a small but dynamic team in Madrid, your role will involve providing financial control and support to the operation. Specifically, this will involve establishing the accountancy function from first principles, preparation of monthly financial reports, budgets and regular cashflows, with responsibility for managing a small team. As the business develops and expands, the scope of the role will broaden to include a more commercial focus.

The Appointee

To succeed within the role, you should be able to demonstrate a track record of progression and achievement in a commercial, financial role and possess the energy to help build this growing business. You will also have gained experience of working within an international environment that must include Spain. The ability to speak Spanish and English fluently is essential. In addition, the following attributes are sought:

- A professional business qualification
- Strong interpersonal skills with an open-minded approach
- A self-starter, capable of working on your own initiative
- A team player with an adaptable approach to fit into the team
- A strategic thinker with broad commercial skills

Eastern Group offers excellent promotion prospects and encourages progression within the Group. As the business develops, there will be further opportunities within the Madrid office. Therefore, cv's are also invited from candidates seeking roles which are focused on the evaluation, negotiation and implementation of commercial energy deals. Previous experience of working in the energy or financial sectors would be an advantage.

To apply, please send your cv and covering letter in English to Lynn Walters, Hays Executive, 2nd floor, Janus House, 46 St Andrews Street, Cambridge CB2 3AH. Tel: 01223 324323.
Fax: 01223 362399. Email: cambridge@hays-exec.co.uk
To find out more about Eastern, please visit our website at http://www.eastern.co.uk

We are an equal opportunity employer.

European Finance Director

Based in London | **Circa £75,000**

Our client is a progressive and dynamic European group within an American commercial construction company. This rapidly growing organisation has offices in London and Paris with plans for further European expansion over the next two years. The American parent company has an annual turnover of £400 million.

Based at the European headquarters in London, you will report directly to the International Finance Vice President in the United States. You will play a key role in the strategic development of the company. Predominantly you will be responsible for the financial management and control of this autonomous European group. Key tasks will include project accounting, cost control and planning, budgeting, forecasting and providing advice and guidance on key accounting systems and legal issues. Primary responsibilities will involve contact and negotiation with major clients, banks, sub contractors and vendors.

The successful candidate will be a graduate Chartered Accountant with excellent technical capabilities and proven leadership and management skills. To apply, you must have experience of working in several European countries, preferably within the commercial construction industry.

The ability to communicate at all levels of the organisation will be crucial to success in this position. Languages would be advantageous.

To apply, please send a copy of your CV, including current salary details, to Sharon Hamilton at either the address below or by E-Mail ad.london.uk@deloitte.co.uk quoting reference 2904/s.

Deloitte & Touche

management solutions
Deloitte & Touche, Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR.

BUPA Care Services

Finance professionals

Leeds

BUPA is the UK's largest private health organisation, looking after around four million people in 190 countries worldwide. Our activities extend beyond health insurance, including management of acute hospitals, care homes and health screening centres, as well as occupational health centres, homecare services and nursing services. In 1997, we made a major investment in Care Services with three key acquisitions.

By centralising the finance function in Leeds for the Care Services division, a number of excellent opportunities have arisen within one of the largest finance departments in Yorkshire. As an integral part of the management team, we are seeking to make two new, key appointments.

Head of Finance – Home Care £45,000 + Package
Reporting to the Finance Director, this role carries sole responsibility for the provision of financial and management information across the 50 Home Care branches, turnover £40m. A broad-based position covering capital investment, cash management, systems development and strategic review, you will also manage a sizeable team including part-qualified and qualified staff. You will ideally be a chartered accountant with at least three years post-qualification experience, preferably gained in a multisite environment. You will be able to demonstrate strong commercial awareness and the ability to communicate effectively at all levels. A proactive approach and experience of change management will be essential for this exciting role.

Financial Services Manager £50,000 + Package
Managing a department of over 70 staff, providing a shared services function across the Care Services division, turnover £350m, you will form a key part of the senior management team, reporting to the Finance Director. Operationally focused on processing all transactions for Care Services, you will manage banking procedures, cashflow, debt management and payroll for 30,000 employees, and be instrumental in systems development. A qualified accountant with at least five years relevant experience in a large company environment, you will have excellent man-management skills and be able to demonstrate a strong understanding of procedural issues in a multisite organisation. A superb opportunity for the right candidate.

For more information, contact our retained recruitment advisors, Hays Accountancy Personnel on 0113 243 8384. Alternatively, send your cv, including salary details, to Sovereign House, South Parade, Leeds LS1 5QL. Fax: 0113 242 3198. E-mail: leeds@hays-ap.co.uk

All direct applications will be forwarded to Hays Accountancy Personnel.

Hays Accountancy Personnel | Hays

FINANCIAL CONTROLLER

Bedford | **c.£60,000 + car + bonus**

Our client is a FTSE 500 company in a high-profile service sector and has grown an £85m business from scratch in less than 20 years. There are ambitious plans to sustain double-digit expansion through a judicious blend of organic growth and targeted acquisitions.

The recently appointed Finance Director has identified the need for a significant upgrading of resources within the finance function to meet the demands that these challenging plans will generate and this new appointment is a key element in his proposals. In the new structure the Financial Controller will be responsible for all aspects of the accounting function at headquarters and regional centres. The role also provides the valuable opportunity to work closely with the Finance Director on implementing a coherent and wide-ranging programme of change, developing a high quality service to management which can be seen to add value to the business. A £multi-million IT investment will provide modern resources to help drive this programme through.

Candidates must be qualified accountants with at least 5 years' PQE and experience of controlling an overall function and of managing change.

Please write with full CV, including salary history and daytime telephone number, quoting reference 1795/FT, to Dick Phillips ACIS, Phillips & Carpenter, 2-5 Old Bond Street, London W1X 3TB. Telephone 0171-493 0156.

Phillips & Carpenter
Search and Selection

MARKETING DEVELOPING COUNTRIES

Putting Kenyans in the picture

Mark Turner looks at the work of a marketing agency bringing mass media to new consumers in rural Africa

An expectant hush falls over the crowd as Jamleck Baruga, deputy provincial commissioner for Rift Valley, approaches a black box hanging outside the shops at Bahati trading centre.

The assembled farmers watch closely as the cask is opened, and Mr Baruga fumbles to switch on the treasure inside. As it splutters into life, children from St Lwanga primary school, immaculately turned out in blue and white-checked uniforms, surge towards the small protective cordon.

After two hours of dances, poems and speeches from local dignitaries, this is what they came for – the first showing on a television-video provided by Regional Reach.

This is no charity event funded by guilt-racked western donors – Regional Reach is a profit-making organisation. The concept is not unlike the free magazines handed out in industrialised capitals: the medium is entirely paid for by advertising, which is bought in two-week blocks and shown every day on 20 televisions in each of nine regions.

Rose Kimotho, managing director, hit on the idea after seeing a project in South Africa to put televisions in the townships. The scheme started in 1994 following discussions with clients.

Five years later, Regional Reach has set up 180 TV-video sets, and has attracted clients including East Africa Industries (Unilever), Cadburys, Cussons and Population Services International, the non-governmental distributors of Trust condoms.

Once a week the company provides two two-hour videos to each centre. They contain a mix of programmes in Kiswahili, ranging from educational films about agriculture and Christian shows to sport and action-adventure. Staff invite feedback: western Kenya, it transpires, likes Zairean music, whereas central Kenya prefers farming and religious programmes.

On average, each four-hour show contains eight minutes of advertising; Ms Kimotho's target is 20 minutes. Adverts can be targeted to specific regions – coastal and humid areas for insect repellents – and some companies are experimenting with adverts in the local vernacular.

Regional Reach says that after the initial excitement audiences around each set range from 150 to 700 people at a time. Media Initiative East Africa, a research company, has found that more than 1.6m people have seen a public viewing TV over the past three months, (whether on Regional Reach, bars or hotels), with an increasing number identifying Regional Reach sites as the source.

The locals love the free entertainment. "I am very happy about this," says Anne Wairimu, a 30-year-old single mother who farms potatoes 2km from the shops. "I have seen TV in the town [Nakuru], but it is too far. I expect to be taught how to farm effectively, how to prevent diseases, and how to cook special foods like cakes."

Mutonga Waweru, who owns the Bahati shops where the TV is situated, and who will provide its power, sees the screen as a boon for business. "Since it was set up here, we have seen a lot of clients, who came to see the TV. I hope they will keep on coming."

Advertisers also appear pleased, although it is difficult to assess the programmes' precise impact. "We market consumer goods like kitchen products, personal care, cooking fats, household cleaners. We are currently advertising Omo [washing powder] with Regional Reach," says Judy Kamau, media manager for East Africa Industries. "This is a way of upping our reach in rural areas: because it is visual, it is very effective. People want to be part of the TV story."

Until now, the main media for reaching rural audiences have been radio and techniques such as "wall-branding", where a product's logo and colours are painted on a shop. Nationally, 43 per cent of the population has access to TV, according to Lois Köhle from Media Initiative, and ownership is 15 per cent. Around Bahati that figure is probably closer to 3 per cent.

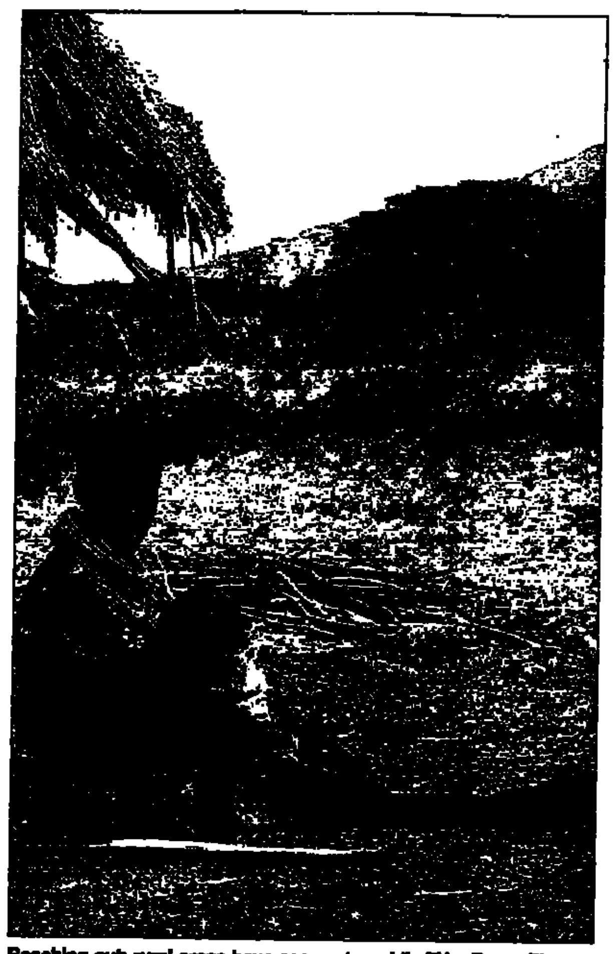
Television adverts tend to reinforce the radio message, adding a lifestyle element, although it will take some time for consumers to demand specific brands rather than a generic product – cooking fat is often sold in unidentified chunks wrapped in paper.

Because the sets are seen as community property, and associated with the government luminaries invited to the launch, theft is rare.

So far the local authorities have been accommodating, as Regional Reach offers them a medium to disseminate educational programmes. The programming is apolitical, although Kenya's two main parties advertised during the last election, and there are hopes more parties will use the sets next time.

Ms Kimotho says the project is not only profitable, but rewarding. In Keyo for example, where many of the country's athletes come from, villagers were overjoyed to see their heroes on screen from halfway across the world.

"Our philosophy is simple: we have a social responsibility to inform, educate and to make a healthy profit," says Ms Kimotho.



Reaching out: rural areas have access to public TV Panos Pictures

MARKETING LOGOS

The triangular shape of things to come

Victor Mallet deciphers Anglo American's redesigned corporate logo as it tries to put the apartheid era behind it

To say that Anglo American Corporation, South Africa's biggest company, has long had a problem with its international image is an understatement. For most people, Anglo is a group that made its money by exploiting black South Africans in the apartheid era, helping to prop up the old regime with revenues from its mines.

Among professional investors, Anglo was also notorious for a fiendishly complicated corporate structure that ensured its shares traded at a discount to their net asset value.

Understandably, the company was discreet in its dealings with foreign markets. It either used a simple logo with the lower-case letters "aac" or conducted operations through associates such as Minorco, its Luxembourg-based offshore arm.

Anglo is now coming out of its shell. It is absorbing Minorco and announcing plans to expand its international business. In May, it will move its headquarters and primary stock exchange listing from Johannesburg to London. And, as befits a company that wants to impress fund managers when it joins the FTSE 100 index, it has paid £100,000 for new corporate colours and a new logo: a rough-hewn, blue triangle with terracotta red at its centre.

"This was a signal of change," says Gareth Williams, strategy partner at The Partners, the London graphic design company that won the contract. "There was an unequivocal desire to make a strong statement: 'We are here'."

A team of 10 from The Partners set out to produce a design that reflected a company fighting against political and geological odds to extract value from the earth.

"We started with the notion of the earth itself," says Mr Williams. "The symbol is quite a natural form. This has not been designed by a computer on some sort of geometry programme. We wanted a more naturalistic feel."

The use of layers in both the logo and other corporate designs is geologically obvious – "You have to drill down into the earth and very often the valuable material is hidden beneath the surface," explains Mr Williams. The dark blue used is reassuringly safe and contrasts nicely with the red, which represents not only the earth but also seams and kernels of value under the layers of blue. Blue, says Mr Williams, helps give Anglo the "global stature" it is looking for.

Now it is a matter of waiting to see if investors are impressed. The recent surge in the share prices of commodity companies may prove useful for the London listing, but the company is not taking any chances.

It has launched an advertising campaign to boast about the speed of its restructuring and published a booklet to explain its new livery. "We created a shape that matches our character and personality," it says.

"Distinctive and different. Bold. A one-off. Our new identity reinforces that we're now a more powerful, unified and focused company, with a world of resources to compete in international markets."

This new image, Anglo American directors hope, will set the seal on the company's transformation from apartheid-tainted conglomerate of the 1990s to focused international mining giant of the new millennium.

aac
Anglo American Corporation of South Africa Limited

ANGLO AMERICAN

Then (top) and now

DAVID BOWEN
WEB SITE INSPECTION

Indian religion goes west coast

Sikhnet is a marriage of the traditional and the modern. Its highlights include a dating service and some 250 hours of music

Sikhs are celebrating the 300th anniversary of the Khalsa, their core community of committed members, and there are all sorts of Sikh-related happenings around the world.

Sikhnet is a huge site created by an American Sikh, Gurumustuk Singh Khalsa. His father was Christian, his mother Jewish – facts I found on the site alongside his wedding photographs.

I can carp about the unlovely and overcrowded home page, with no less than 55 links in eight sections. I can complain about a handful of broken links and over-long pages. But, overall, this is a *tour de force*, applying sophisticated west coast techniques to an Indian religion. When you arrive, a pop-up box quizzes you for a poll. Like the rest of the site, this is aimed at Sikhs. For example: What sort of Sikh are you? "I wear a turban and eat meat" or "I wear a turban and do not eat meat".

Highlights include a dating service, which mixes the modern ("the hottest guy you will ever meet") with the traditional (a Tantric numerology calculator, showing that the hottest guy has a korma of four). Then there are screensavers (you pay for them), print-out-and-colour-in pictures for children, and masses of music. A "randomiser" means you can play 251 hours of music non-stop.

Visitors are encouraged to add material, for example to the superbly organised "events" pages and the art gallery. Altogether, a remarkable mix of traditional and modern.

Sikhnet *www.sikhnet.com*
overall *****
design ***
navigation ****

The "electronic postcard" is well established on the web. You choose a picture, fill in a message and send it to a friend. The friend gets an e-mail, and clicks on a link to see the picture and message. Lots of corporate sites allow you to send cards, usually featuring their products or logos.

But E-greetings Network has gone much further, turning electronic cards into a business. The site offers a vast range in classifications from Star Trek to gay & lesbian. It attempts to turn the postcard into a business tool – you can send one that says: "Thanks for the meeting" or "There is nothing like a dream to create the future". The schmaltz factor is distressingly high – but, schmaltz is distressingly popular.

If you want to know why E-greetings Network is reported to be worth $1bn (£635m), look at the banner advertising and sponsorship that crowd the site.

Before sending a card you have to register, giving information such as age and gender, which provide the sort of data advertisers love. Both senders and recipients see advertisements, and different areas have targeted campaigns: the gay and lesbian section has ads from PlanetOut, for example.

While many sites make money from advertising, this one is interesting because it is a pure web business, built on internet strengths: interactivity, clickability, multimedia and low-cost distribution of data.

www.egreetings.com
overall ****
design ****
navigation ****

The Scots and the Welsh are about to go to the polls, to vote for the Welsh National Assembly and the Scottish Parliament and so I visited the nationalist parties' sites – Plaid Cymru and the Scottish National Party.

Neither, sadly, sets the world on fire.

Instead, we have practical features. The SNP site is the more effective here. Its press releases are well organised and it has lots of information. But it is presented unappealingly: the map of constituencies pulsates garishly, and much of the typography is ugly.

Plaid Cymru's site is full of glitches. The party's National Assembly team is represented by a fuzzy picture with a promise that "more details will appear soon" – this nine days before the election.

Scottish National party
www.snp.org
overall ***
design **
navigation ***

Plaid Cymru
www.plaidcymru.org
overall **
design **
navigation ***

David Bowen is editor of Net Profit newsletter (www.net-profit.co.uk; info@net-profit.co.uk).

هكذا من الأصل

From café society to classical society

Susan Moore reports on how New York's Metropolitan Museum of Art lost a restaurant but regained a stunning exhibition space

Ever the since the Metropolitan Museum of Art in New York turned its Roman atrium into a restaurant in 1948, its Greek and Roman collections have never been on continuous view.

The atrium had been conceived as the culmination of an enfilade of grand Beaux-Arts galleries specifically designed for the chronological display of Greek and Roman art. Its change of use started a 45-year-long shuffle of the collections which, by the 1980s, had resulted in displays that made no sense.

Visitors began with Roman art and ended up in the Bronze Age; if they wanted to see the so-called decorative arts they were obliged to go upstairs. Moreover, the grand neo-Classical sculpture gallery created by McKim, Mead & White, one of the most imposing spaces in the museum, had become less a gallery than a corridor to the restaurant, offering an unlikely juxtaposition of Pompeiian wall painting and Cypriot sculpture perched on teak platforms resembling stereo speakers. In 1990, after 30 years as head of the department, Dietrich von Bothmer retired. It was time for a radical re-think.

The most striking aspect of the Met's enormous three-phase masterplan for the Greek and Roman galleries is that it replicates, almost to the letter, the scheme worked out in 1912-17 by McKim, Mead & White and the Met's then director, the classicist Edward Robinson. The 140ft vaulted gallery south of the Great Hall is once again being used for monumental sculpture (Roman marbles after Greek bronzes) and vases and, with its side galleries, offers a chronological history culminating with Roman art in the reclaimed atrium. According to Carlos Pichon, the new departmental director, the reorganisation was not intended to be an exercise in reverential reconstruction; the original plan just seemed the most logical. Phase two of the project, the seven new galleries given over to archaic and classical Greek art of the 6th to the 4th centuries BC, has just been unveiled, and looks far better than they can ever have looked in the past.

As originally intended, the main gallery walls have been clad in French limestone – the first world war delayed delivery of the stone, and faux-limestone paint was substituted. During the second world war, the gallery's skylights were closed; these have

The vaulted gallery is once again being used for monumental sculpture and vases, culminating with art in the reclaimed atrium

been re-opened, flooding the gallery with natural light. The drama of this presentation is entirely late-20th century, as is the relative spareness and character of the display in these cool, pale, cavernous interiors.

Daylight raking in from side windows is similarly exploited to great effect in the first of the side galleries, showing to best advantage the museum's outstanding collection of Attic marble sculpture, the finest outside Athens. The three galleries flanking the other side of the main gallery are given over to the collection's other great strength: superlative Greek vases – black figure, red figure and white ground. Here the display reflects the generosity of many benefactors from J.P. Morgan onwards, and Dietrich von Bothmer's abiding passion for the subject: he, most notably, acquired the spectacular and previously unknown Euphronios calyx krater in 1972.

For the first time, visitors are able to move east to west and west to east between all these galleries, courtesy of four new portals cut into the main sculpture gallery. They make the gallery less of a corridor. Most significant of all the changes made in this re-installation is that the collections are no longer divided and grouped together according to media. While specialists may well lament the passing of the serried ranks of like material and the crowded cases of traditional, so-called study collections, this makes for a far livelier, more accessible and user-friendly display.

On one level, the collections can be read as a chronological history, on another they are used to explore themes central to the ancient Greek world – sport, the symposium, warfare, civic duty, death and the afterlife. Materials, techniques and style are also discussed, with the so-called Amasis painter singled out as the artistic personality best represented at the highest level within the collection. It is a display as demanding and instructive as the viewer chooses, offering to the most casual a succession of great trophies, beautifully presented in elegant galleries.

All the A-material is on display, as is 65 per cent of the entire collection, and the rest will be on open access. The project is yet another instance of the fund-raising muscle of the Met – these galleries alone, phase two, have cost somewhere between $75m and $80m – and of the commitment and seriousness of its staff. It also confirms what every museum administrator now appears to realise – and what museums in the 1940s and 1950s so vigorously denied – that museum architecture can be as much of a spectacle, and a draw, as the collections it contains. When the restaurant in the Roman atrium closes, by the way, two new eateries will open in its stead.

A Greek marble capital and finial in the form of a sphinx, c.530 BC

LONDON MUSIC

Proms spreads its wings

The first major London performance by mezzo-soprano Cecilia Bartoli singing Mozart and Haydn arias; two concerts by the Vienna Philharmonic with Sir Simon Rattle, featuring Mahler and Beethoven symphonies; and Sir Colin Davis conducting Beethoven's choral symphony in an evening which also features the pianist Alfred Brendel are among the highlights of the 105th Prom Season at London's Royal Albert Hall, announced yesterday by its director Nicholas Kenyon.

The Proms, which open on July 16, are the largest and most popular classical music festival in the world, with attendances of 88.4 per cent of capacity last year. This summer there are 72 Proms at the Albert Hall, plus five free early evening performances in the nearby Serpentine Gallery in Hyde Park at which composers will talk about their work.

Also in the park, on September 11, 35,000 people will picnic at an open air concert which takes on a giant screen a simultaneous transmission of the second half of the Last Night concert for its finale. For the first time the Proms will happen outside London: the same finale will also be relayed to similar concerts in Swansea and Birmingham. Along with Willard White, the Last Night celebrations also include Jeremy Irons singing the music of Noël Coward, one of this year's anniversary composers.

Other composers given celebratory tributes include Poulenc; a trio of Strausses, Richard, plus Johann I and II; and Duke Ellington. Among the composers whose work is prominently featured in the season is Nielsen, and among the themes are French music, and late and last works including those by Beethoven, Brahms, Bruckner and Mozart.

These final musical creations complement a more philosophical theme "The Ascent of Man". The Proms open with Tippett's triumphant *The Mask of Time*, and among the works maintaining the connection are Louis Andriessen's first Prom appearance, featuring his *Trilogy of the Last Day*.

On July 18 afternoon and evening concerts will be given over to *One thousand years of music in a day*, which will include works from every century of the millennium. Other specials are the first evening devoted to film music, and a late night Prom, one of 10, of Irish music. The *Blue Peter* children's Prom returns, and there will even be a Prom after the Last Night, another aimed at children which takes place in Hyde Park on the Sunday.

Around 40 per cent of the repertoire, 110 works in all, are new to the Proms this year, and there will be six commissioned premières. There may be fewer visits by big international orchestras in 1999 – although the Pittsburgh under Marriss Jansons is appearing – but the Proms still offer excellent value, with 900 standing only tickets priced at £3 each night. The top price of £35 for Bartoli, Vienna and a few other top concerts are still around half what you would expect to pay elsewhere for these artists, and most Proms have a top price of £20.

Antony Thorncroft

Quasi-authentic: Ewart James Walters and Nicholas Monu in 'Oroonoko' Alastair Muir

Richly poetic extravaganza

THEATRE

IAN SHUTTLEWORTH

Oroonoko
The Other Place, Stratford-upon-Avon

Aphra Behn's 1688 novella *Oroonoko, or The Royal Slave* may subsequently have been of great value to the abolitionist movement, but that half of the tale is here balanced by the story of Oroonoko's prior experiences in the Gold Coast kingdom of Coramantien.

In Biyi Bandele's adaptation for the RSC, Bandele says he took "nothing except the plot" from Behn's work, and indeed the dialogue shows all the signs of his characteristic register. It is at once richly poetic and sardonic: the king gives his personal bodyguard fearsome names, only to be told, "Blue Numbing Death's off sick today"; and the strain of courtly rhetoric which runs through accounts of war, love and, at one point, even the weather, is periodically punctured by wide-boy modernities such as when the ageing, lecherous king tells his latest prospective consort, "I tend to take a 'no' and yes it up."

One can bathe in the milk of Bandele's phrasing, and Gregory Doran's production supplies correspondingly rich spectacles: games, war-dances, a wedding ritual and even, once Oroonoko and his loved ones have been transported as slaves to Surinam, a nostalgic tribal blues to excellent percussive accompaniment by Juwon Ogungbe.

One can bathe in the milk of Bandele's phrasing, and Doran supplies the appropriately rich spectacles

Not infrequently, however, the picture grows blurred, the dramatic set-pieces becoming a kind of historico-anthropological travelogue. Quite early on, the adaptation and production show signs of wanting to part company. This is, after all, the tale of a noble prince's suffering at the hands first of a self-serving grand-vizier character and subsequently under the casually brutal hypocrisies of an English slavemaster; Doran seems to be going for a big, bright, buzzy – but always respectful and quasi-authentic – extravaganza to pull in the punters (although not the young ones; if this season's *Midsummer Night's Dream* is deemed too risqué, what will school parties make of the extended exchanges of ritual praise of the king's prowess in the loincloth department?).

Nicholas Monu and Nadine Marshall, as Oroonoko and his beloved Imoinda, are at their best in the first act; after the interval, events take precedence, and the characters never really find strong voices in their new surroundings. Geff Francis is icily assured as "the king's chief liar" Orombo, and Jo Martin both eloquent and yet direct as Imoinda's mother, Lady Onola.

It is, however, an immensely engaging and enjoyable production ... so much so that, notwithstanding the sudden, violently downbeat ending, it is possible to lose sight of the more sombre ingredients which are at the core of *Oroonoko*'s claim to continuing attention.

INTERNATIONAL Arts Guide

ABERDEEN

DANCE
His Majesty's Theatre
Tel: 44-1224-641 122
Scottish Ballet: double bill of Bournonville's classic "La Sylphide" and Robert North's new work "Light Fandango"; Apr 30; May 1

AMSTERDAM

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Otello: by Verdi. Conducted by Carlo Rizzi in a staging by Klaus Michael Grüber, with a cast led by Vladimir Bogachov; May 1

BALTIMORE

OPERA
Baltimore Opera Company, Lyric Opera House
Tel: 1-410-625 1600
www.baltimoreopera.com
Andrea Chenier: by Giordano. Conducted by Marco Armiliato in a staging by Bernard Uzan; Apr 30; May 2

BARCELONA

EXHIBITIONS
Museu Picasso
Tel: 34-3-319 6310
Raoul Dufy 1877-1953: retrospective bringing together 150 works including paintings, drawings, prints, ceramics and fabrics, loaned by public and private collections worldwide; from Apr 30 to Jul 11

BEIJING

DANCE
Exhibition Centre Theatre
The Royal Ballet: Romeo and Juliet, in Kenneth MacMillan's staging with designs by Nicholas Georgiadis. With the Orchestra of the National Ballet of China conducted by Andrea Quinn; Apr 30; May 1, 2, 4, 5

BERLIN

DANCE
Deutsche Oper
Tel: 49-30-34384-01
A Midsummer Night's Dream: new staging by Heinz Spoerli, conducted by Arturo Tamayo. With sets by Hans Schavernoch and costumes by Keso Dekker; May 1

OPERA
Deutsche Oper
Tel: 49-30-34384-01
● Der Fliegende Holländer: by Wagner. Staging by Götz Friedrich conducted by Christian Thielemann; May 2
● Lucia di Lammermoor: conducted by Marcello Viotti in a staging by Filippo Sanjust; May 4

CLEVELAND

EXHIBITION
Cleveland Museum of Art
Tel: 1-216-421 7340
www.clemusart.com
Diego Rivera: Art and Revolution. Major retrospective of the Latin American painter and muralist pioneer; to May 2

EDINBURGH

OPERA
Edinburgh Festival Theatre
Tel: 44-131-529 6000
Scottish Opera: Aida, by Verdi. New production by Antony McDonald, conducted by Emmanel Joël. Cast includes Lada Biriucov and Rosalind Plowright; May 5

FORT WORTH

EXHIBITION
Kimbell Art Museum
Tel: 1-817-3328451
www.kimbellart.org
Matisse and Picasso: A Gentle Rivalry. More than 100 paintings, sculptures and drawings on loan from collections around the world make up this first-ever exhibition devoted to the relationship between the two great modernists; to May 2

HOUSTON

EXHIBITIONS
Museum of Fine Arts, Houston *(Tel: 1-713-639 7300)* and **Contemporary Arts Museum** *(Tel: 1-713-284 8251)*
Art at Work: and Forty Years of the Chase Manhattan Collection. Display of 77 works which together chart the major movements in postwar American and European art. Organised chronologically, the show at the Museum of Fine Arts includes works by Calder, Stella and Beuys, while the Contemporary Arts Museum features artists of the 1980s and 1990s, including Basquiat, Cragg, Lichtenstein and Sherman; to May 2

OPERA
Houston Grand Opera, Wortham Center
Tel: 1-713-227 2787
www.hgo.com
Resurrection: world premiere of Tod Machover's new opera set in Tsarist Russia, with a libretto by Laura Harrington. Patrick Summers conducts a staging by Braham Murray, with designs by Simon Higlett; May 1, 4

LAUSANNE

OPERA
Opéra de Lausanne, Théâtre Municipal
Tel: 41-21-310 1600
The Rake's Progress: by Stravinsky. New production. André Engel directs a staging by Dominique Meyer, conducted by Jonathan Darlington; May 2, 5

LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
● London Symphony Orchestra: conducted by Christoph Eschenbach in works by Bruch and Mahler, with violin soloist Midori; May 5
● Orchestre Philharmonique de Strasbourg: conducted by Jan Latham-Koenig in the world premiere of a new work by Renaud Gagneux, and in works by Poulenc, Franck, Vaughan Williams and Janáček, with piano soloist Pascal Rogé; May 4

Queen Elizabeth Hall
Tel: 44-171-960 4242
London Sinfonietta: conducted by Diego Masson in a celebration of Duke Ellington, comprising newly commissioned works by six composers, including Simon Bainbridge and Gavin Bryars; May 1

EXHIBITIONS
Barbican Art Gallery
Tel: 44-171-638 8891
New Art for a New Era: Malevich's Vision of the Russian Avant-Garde. 84 paintings and 48 works on paper on loan from the State Russian Museum, St. Petersburg; from Apr 30 to Jun 27

Queen's Gallery
Tel: 44-171-839 1377
The King's Head: organised to coincide with the 350th anniversary of the regicide, this biographical exhibition brings together images of Charles I from all stages of his life; to May 3

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
Semele: by Handel. Rosemary Joshua sings the title role in Robert Carsen's new production, conducted by Harry Bicket; Apr 30; May 5

Sadler's Wells
Tel: 44-171-863 8000
The Royal Opera: Paul Bunyan, by Benjamin Britten. Staging by Francesca Zambello, conducted by Richard Hickox; Apr 30

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
Munich Philharmonic Orchestra: conducted by Gerd Albrecht in works by Sibelius and Allan Pettersson; Apr 30

NAPLES

OPERA
Teatro di San Carlo
Tel: 39-081-797 2331
Il Barbiere di Siviglia: by Rossini. Gabriele Ferro conducts a staging by Filippo Crivelli, with a cast led by Leo Nucci; Apr 30; May 2, 4

PARIS

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
www.opera-de-paris.fr
● Lohengrin: by Wagner. Conducted by Mark Elder in a staging by Robert Carsen, with designs by Paul Steinberg; May 2, 5
● Wozzeck: by Berg. Conducted by Jeffrey Tate in a new staging by Pierre Strosser; May 3

Opéra National de Paris, Palais Garnier
Tel: 33-1-4343 9696
Platée: by Jean-Philippe Rameau. Conducted by Marc Minkowski in a staging by Laurent Pelly; Apr 30; May 2, 3, 4

ROME

EXHIBITION
Palazzo delle Esposizioni
Tel: 39-06-474 5903
Algardi: The Other Face of the Baroque. First major exhibition devoted to Bernini's great rival; to Apr 30

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
● *CNN International*
Monday to Friday, GMT:
06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

PHILIP STEPHENS

Jumping tracks

In the two years since Labour came to power, Tony Blair has changed the arguments in British politics

What's going on? First Tony Blair (the one they used to call Bambi) borrows a flak jacket from Margaret Thatcher (the one who told George Bush not to wobble over Iraq) to lead Nato's war against Slobodan Milosevic. Then William Hague, heir to the Thatcherite mantle, disowns her legacy to make the Conservative party's peace with big government. The Lady, we are told, is not amused. The nation, unsurprisingly, is confused.

Politics sometimes conspires to confound us. But what has been happening lately in Britain seems positively bewildering. Sure, we knew that, tracing the footsteps of the now Lady Thatcher, Mr Blair would stand alongside Bill Clinton in any confrontation with Serbia. We did not guess that, once the bombers were in the air, he would step so far out in front of his friend in the White House.

As for Mr Hague, he had been saying for some time that the Conservatives must revisit the policies that handed Mr Blair's New Labour its crushing election victory in May 1997. Who would have guessed, though, that he would commit a Tory government to roll forward rather than back the frontiers of the state?

Before the 1997 election, Mr Blair promised that during his first two years in 10 Downing Street he would spend no more of taxpayers' money than had been budgeted by the Conservatives. That period of self-restraint has come to an end, with new resources being poured into health and education. Now Mr Hague avows that, returned to power, his party would match the increases pound for pound. It's a funny old world, as the Lady once said.

Yet look closely at these role reversals and they are more explicable than they seem. Scratch a little deeper and they tell us something hugely important, and largely missed, about Mr Blair. Here is a politician dismissed by his critics as being in the thrall of opinion pollsters and focus groups. The truth, more often recognised by observers overseas than at home, is that his disdain for traditional tribal boundaries has changed the argument in British politics.

We can come back to Kosovo and that flak jacket in a moment. Let's consider first why the Conservatives feel obliged to admit that, for all its virtues, the market cannot substitute for state-funded education and health. It is tempting to conclude that the hapless Mr Hague has simply blundered again. But we should be generous. Perhaps he has finally grasped what has been happening.

Before the last election there was only one conversation that mattered in the nation's political salons: the size of the state. More accurately, it was about how far and how fast the public sector should be shrunk. Better health, high-quality education, generous pension provision? We could forget the old statist models. The markets would do the job.

True, Mrs Thatcher and John Major, her successor, had not had as much success as they would have liked during 18 years in power. For all the rhetorical bluster from the high priests of liberal markets, the Conservatives found themselves running to stand still. By 1997, the share of national income taken by the state was just below 40 per cent – not much changed from the ratio they had inherited in 1979.

That, we were told, was not the point. Much more important, the political right had won the argument. We were in the age of global competition. The markets were master. There was nothing for governments to do but cut taxes. And then cut them again.

Politicians and intellectuals – some from the centre-left as well as from the right – fell over each other in an unseemly reverse auction. Why not a spending ratio of 30 per cent, said one camp. Timid said another – 25 per cent was the maximum the state must presume to spend on behalf of its citizens. Why stop there, chimed in the real zealots. Vast swathes of the public sector were ripe for privatisation.

And now? The silence is broken only by Mr Hague's Damascene conversion. Sure, Mr Blair has not run off in the direction of the old socialist left. Like Mr Clinton, he preaches the gospel of effective rather than big government. And the Blair administration's approach to macroeconomic policy has been as orthodox as they come. There, as the prime minister always said it would, the Thatcherite legacy has been safeguarded.

But even as he has appropriated the mantra of economic stability, Mr Blair has rehabilitated the role of the state. Look at the Treasury's public spending projections for the next few years. The trend is upwards – not by much in terms of percentage points, but up just the same.

And what reaction have we heard from all those once so eager to cut government down to size? Not a peep. Who cares any longer whether the public spending ratio creeps above 40 per cent? Who is pressing the case for a reduction even, say, to 35 per cent? No-one that I know.

This change is far more profound than the dry statistics imply. What it tells us is that Mr Blair has routed the disciples of minimalist government. The nation has been persuaded that market economics can co-exist with an activist state. As the prime minister said in Chicago last week, we may have found out that big government does not work. But no government works even less. The argument now is not about cutting the state down to size, but about how best it can provide what all agree to be public goods.

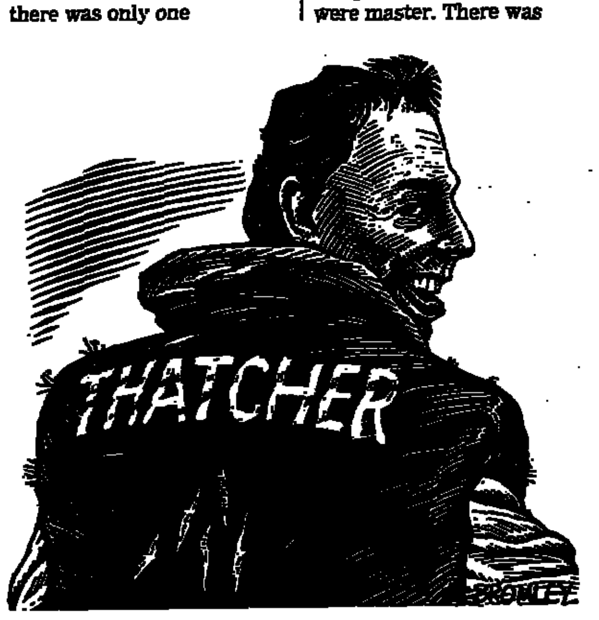
Mr Hague, we must assume, was trying to grasp this fundamental shift in the rules of the game when he offered his pledges on health and education spending. Tax cuts have lost their magic. The voters have signed up to Mr Blair's prospectus of social cohesion alongside economic stability.

The Tory leader's mistake in all this was to assume that his party could simply abandon the old Thatcherite truths without preparation, explanation or context. His colleagues were as startled by the about-turn as everyone else. Worse, he seemed ready to recant as soon as She reached for her handbag. Mr Hague has never quite understood that tactical shifts have to be embedded in a strategy. He shouts to be heard. Yet for all the clumsiness, he did hit upon something others have missed.

A more general misreading of Mr Blair accounts for the widespread puzzlement over his stance on Kosovo. As in domestic politics so in foreign policy, the prime minister has stepped outside the old tramlines of right and left. Ask him about that flak jacket and the response is brisk. Nato's war is being fought in a just and vital cause. It must be prosecuted and won for that reason. It is that simple.

To Mr Blair's mind, to say so loudly – and to argue for a rapid build-up of Nato ground forces around Kosovo – makes no particular statement as to where one stands in the political spectrum. And though he is discreet about his conversations with her, if the Lady shares his determination that Europe must be ready to fight for its values, so be it.

Here again Mr Blair tramples on a once-sacred verity. It used to be that conviction politicians stood far apart either side of the line dividing left from right. The right would fight with passion for its causes. So, too, would the left. Between them were the somehow ignoble figures who huddled in the safety of the middle ground. That's what we thought. Now we know differently. The centre has staked its claim to the politics of conviction.



LETTERS TO THE EDITOR

Catch-up time for US forecasters

From Mr Harry L. Freeman.

Sir, The first quarter estimate for US economic growth (GDP) will be released tomorrow. Will the economic forecasters get it right or will they miss again? Your newspaper reports on the US economy well and fully; have you not noticed the gap?

The gross domestic product revised figure for the US economy for the last quarter of 1998 was 6 per cent – yet the median forecasts at the beginning of 1998 were predicting around a 3 per cent gain. This is a recurring pattern. The 50 economists routinely surveyed by the Wall Street Journal forecast an annual growth rate of 2.3 per cent for the five years 1994 to 1998. The actual result was 3.4 per cent – about 50 per cent higher.

Forecasts for the first quarter of 1999 range from 2 per cent to 3.5 per cent, when most of the already published indicators suggest something closer to the fourth quarter of 1998, which was 6 per cent.

Why are professional economists almost uniformly making such bad forecasts? I believe the most important reason is that most are drawing on data developed and published from an industrial era now past. They see the US through the prism of a traditional industrial economy, where factories dominate production and employment data, and where durable goods orders and factory capacity utilisation and similar measures are the guideposts.

But the reality is starkly different. The service sector accounts for nearly 80 per cent of total private employment and 77 per cent of US GDP. It created 2.5m jobs last year and generated a services trade surplus of more than $79bn.

Yet what do the economic forecasts look at in making their forecasts? One popular indicator is the National Association of Purchasing Managers manufacturing index. Another is the index of Leading Economic Indicators issued by The Conference Board, which is dominated by manufacturing indices such as new orders for durable goods. Both predicted an economic slowdown last year. The reality was different.

To improve our forecasting, we must construct new statistical measures. They have to measure the whole economy including the dominant sector – services – that provides 80 per cent of our economic activity. Services are diverse and difficult to measure; no excuse.

These new statistical measures may look very different from traditional measures. But, until they are in place, our forecasts will continue to miss the mark. Catch-up time.

Harry L. Freeman,
The Mark Twain Institute,
4706 Dorset Avenue,
Chevy Chase, MD 20815 US

Argentina's private medical insurance

From Prof Ira Sohn.

Sir, If the past is any guide to the future, the International Monetary Fund's new scheme agreed last week is misguided ("IMF's new contagion credit line: would any country really use it?", April 26). It will lead to greater – not fewer – infusions of public money, and to more – not less – political interference in the management of emerging market economies.

Healthy economies, like healthy bodies that have been properly vaccinated against certain diseases, will rarely submit to contagion from the outside. Largely because of its weak banking system until 1995, the Argentine economy was severely affected by the Mexican crisis. Brazil succumbed to a devaluation after last year's meltdown in Russia because of its inability and/or unwillingness to confront in a convincing way its bulging twin deficits.

However, Argentina – through aggressive bank privatisations and mergers, along with increased foreign participation in the sector that collectively strengthened the banking system since 1995 – has had both a higher current account deficit and higher foreign reserves over the year, despite the damage Brazil's devaluation has inflicted on the real economy.

In addition to "vaccinating" its banking system, Argentina has bought (for $20m a year) private "medical insurance" – a $7bn line of credit with some 15 private sector banks in the event of a banking crisis – that was contracted *voluntarily* with the banks.

Instead of strongly encouraging emerging market countries to "vaccinate" their economies with private medical insurance, the IMF is promising more public funds with more political interference in exchange for "good" policies, however expediently defined.

If today Russia and Brazil can be considered the IMF's "poster boys", then "good" policies, like beauty, will certainly be in the eyes of the beholder!

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Learning the hard way

Tony Barber examines how the European Central Bank is trying to re-establish its reputation in currency markets after slip-ups by its president Wim Duisenberg

For Wim Duisenberg, the president the European Central Bank, April has been the cruellest month. Four months since the Bank took on responsibility for monetary policy in 11 European countries, he and other members of the ECB's governing council have had a harsh lesson.

In the past few days, ECB officials have been forced into a barrage of statements aimed at reassuring currency markets, and stemming the slide of the euro. They have tried to reverse the widespread impression that the ECB either did not care about the fall, or did not know its own mind.

Mr Duisenberg is mainly responsible for the uncertainty that emerged after the ECB's decisive 0.5 percentage point cut in the main eurozone interest rate on April 8. That day, he appeared to rule out any further change for a long time, saying: "This is it".

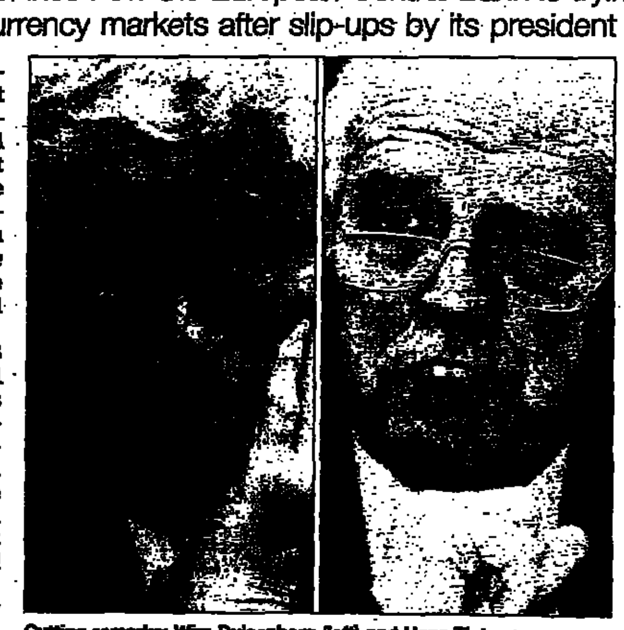
But 11 days later, he seemed to modify his stance, saying that rates were on hold for the time being. The market's confusion was exacerbated when he went on to say he was not worried by the euro's decline, and later referred to an ECB policy of "benign neglect".

Partly as a result of these remarks, the euro steadily fell on currency markets. Between April 19 to April 23, the euro repeatedly touched new lows against the dollar, finally sinking to $1.0561, more than 11 per cent below its peak on January 4 of $1.1877.

By last weekend, the ECB realised it was time to change tack. This week's meetings in Washington of finance ministers and central bank governors from the Group of Seven leading industrialised countries provided the ideal opportunity to counter-attack.

On Monday and Tuesday, Mr Duisenberg, his colleagues on the ECB's 17-member Governing Council and various EU officials such as the commissioner for monetary affairs, Yves-Thibault de Silguy, went forth in unison with the message that the euro had fallen far enough.

Chasteningly for Mr Duisenberg, the ECB council member who took the most prominent role in this offensive was Hans Tietmeyer, president of the German Bundesbank. Mr Tietmeyer did so by explicitly renouncing Mr Duisenberg's earlier reference to "neglect" – benign or otherwise.



Cutting remarks: Wim Duisenberg (left) and Hans Tietmeyer

He could almost have been addressing Mr Duisenberg rather than the world at large when he said in Washington: "A policy of neglect would be inappropriate, and I would like to add that, all in all, a significant further change of the euro's level would not be appropriate."

Mr Tietmeyer's remarks are treated with respect because of an aura of authority that has surrounded the Bundesbank for 50 years. He has gained almost as much respect as Alan Greenspan, chairman of the US Federal Reserve, who is known for saying a lot, but in a highly enigmatic manner.

Mr Duisenberg is now learning that central bankers have to watch their words extremely carefully. As Jean-Claude Trichet, governor of the Bank of France, put it on Wednesday: "Verbal discipline is essential because markets can be troubled by risky or heterogeneous or contradictory statements."

'Verbal discipline is essential because markets can be troubled by risky or heterogeneous or contradictory statements'

The ECB message this week has been threefold. First, it does not have an explicit exchange rate target for the euro. Second, it is concerned with the level of the euro. Third, the current rate of roughly $1.06 seems appropriate, although the euro could well rise in the future.

Mr Duisenberg can at least take heart from the words of other central bankers, who say in private that it was better for him to learn the need to deliver a single, coherent message in a period of relative currency stability. The effect of his various remarks could have been more damaging during a period of market turmoil.

Furthermore, he has not been solely responsible for any confusion. Mr Trichet said this week that there was "not even the width of a cigarette paper" between council members. Yet Mr Duisenberg said on April 8 that the rate cut had not been approved by all members with equal enthusiasm.

Finally, ECB officials insist that Mr Duisenberg's reference to "benign neglect" was misinterpreted. He was merely trying to say was that the bank did not pursue a specific exchange rate policy. Its primary task, set out in the EU's Maastricht Treaty, is to control inflation.

Fortunately for the 290m inhabitants of the euro-zone, the economic damage is minimal, and the experiment of European monetary union appears in no immediate danger. Nor can the decline of the euro be attributed solely to remarks made by Mr Duisenberg, or other ECB council members.

The ECB will now aim to reinforce the one message on which it has proved consistent and convincing. This is the argument that it cannot solve solely through monetary policy the deep-rooted structural problems causing high unemployment in the eurozone.

Mr Duisenberg has insisted that euro-zone governments need to reform their tax and social security systems, liberalise labour and product markets, and improve fiscal discipline. Monetary policy can set a helpful framework, but then responsibility lies with national governments.

Ironically, the fall of the euro has if anything been a help to the eurozone economy throughout the last four months. It has helped to ease some of the economic difficulties in countries such as Germany by providing a welcome boost for exports at a time of weakness.

However, the ECB's effort to call a halt to the slide this week shows that it believes the eurozone economies can have too much of a good thing. Prolonged weakness in the euro could lead to inflationary pressures from more expensive imports, undermining the bank's central task.

A further slide could also have amounted to a vote of no confidence in the ECB from the currency markets. As a young central bank keen to inherit the Bundesbank's mantle of authority and judgment, the ECB will be trying hard to learn the lessons of a cruel April.

FINANCIAL TIMES

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Washington's Chinese shambles

US foreign policy is in confusion. That has been shown, over the past few days, to be especially true of the Clinton administration's attitude to China.

It is wasting a priceless and yet fragile opportunity to bring Beijing into the international community as a member of the World Trade Organisation. This could transform the unpredictable relationship between the world's most powerful and most populous countries. But a haphazard policy line in Washington risks losing the prize.

Washington's response to the challenge offered by Zhu Rongji, China's premier on his visit there early this month, looked incoherent by comparison with Beijing's policy towards the US.

Now the administration's approval of the sale of early warning radars to Taiwan risks further confusing Washington's message. Approval is an understandable response to China's unacceptable missile build-up near the island.

Yet the timing is bad. It will harden anti-western opinion in Beijing less than a month after the Mr Zhu made a series of remarkable trade concessions to pave the way for WTO membership.

China must not be allowed to bully its way into the international community, which is why its willingness to open its markets must be cherished. The US is right to stand up to Chinese encroachment on Taiwan.

But the administration should draw a clear distinction between the trade and security aspects of its diplomacy. If it had accepted China's WTO offer, it would have gone a fair way towards doing that. This would have left it better placed to address the Chinese missile build-up – ideally by encouraging a halt to the arms race as a sign of good faith, rather than rushing into the approval in principle of the export of sensitive technology to Taipei.

This whole story illustrates the risk that Washington will stumble towards a tougher policy on China with no sense of strategy, as the public and Congress agonise over the latest allegations of Chinese espionage at US nuclear facilities. In response, China's march towards the WTO could freeze.

To bring China into the WTO – a substantial prize – Washington needs to manage the tensions between its foreign policy and trade objectives. Only by doing that will it be able to capitalise on apparent greater readiness in Congress to back a deal.

It is now up to the administration to realise that a foreign policy for China must consist of more than a handshake for a visiting premier. If Washington fails to do that, it will fumble the relationship and miss the chance to bring China into the international mainstream.

Balkan mission

Hopes for an early end to the Kosovo conflict are now focused on Russia, whose ex-premier Victor Chernomyrdin is back in Belgrade to see Slobodan Milosevic. A symbol of this is the visit to Moscow yesterday by Kofi Annan, the United Nations secretary general.

But Boris Yeltsin's Balkan envoy will bring peace no nearer unless he can make a better stab at convincing the Yugoslav leader that Nato really means what it says. The allies rightly insist that only a total pull-out of Serb forces from Kosovo, and their replacement by foreign troops, including Nato forces, will entice the ethnic Albanian refugees back.

The prospect of Russian mediation is welcome to many in Nato now that last weekend's Washington summit is over. There, the allies sternly promised to intensify their air campaign and to turn Serbia's oil supply tap off. It was essential to demonstrate their determination.

These measures may suffice to bring Mr Milosevic to his knees. But the past few days have seen Nato bombs hit more civilians and a house in Bulgaria, and mounting an oil blockade. The US Congress has also shown it wants to police any moves by President Clinton to expand the US military role.

The real reason why Russian involvement should be welcomed is that only Moscow can bring home to Mr Milosevic the reality of his isolation. He is losing support at home, as shown by the sacking of Vuk Draskovic, the dissident-turned-deputy premier. The censoring of a BBC interview with Vuk Obradovic, an ex-general who still has links to the Yugoslav military, also suggests growing doubts. But nothing will persuade the ordinary Serb of the failure of Milosevic more than for the largest of Slav powers to give him the thumbs down.

Publicly, Russia is still a long way from siding with Nato. Yesterday's decision by Moscow to upgrade its shorter range nuclear weapons suggests pique both at the bombing campaign, and at Nato's maintenance of a strong nuclear core to its long-term strategic concept (as agreed in Washington). But it may be just a bluff. This week's talks suggest Russia is moving towards Nato positions on Kosovo, though Mr Chernomyrdin still argues for only a partial Serb troop withdrawal from the territory, and for an essentially non-Nato peacekeeping force.

The gap between Nato and Belgrade is still wide. Given all he has heard from Nato leaders and Mr Annan in recent days, Mr Chernomyrdin should realise that he can only close it by pushing Serbia to recognise Nato's determination.

Funding Russia

Desperate times call for desperate measures. The International Monetary Fund's decision to resume lending to Russia certainly fits this adage.

The economic case for new IMF loans is extremely limited. Prime minister Yevgeny Primakov's government has shown no interest in sorting out Russia's economic ills. The IMF says its loans are conditional on fiscal, banking, and structural reform, with no cash before the necessary legislation is passed. However, it is hard to imagine that there will be any serious reform effort.

Rather, the rationale for this deal is that it would be unfortunate timing to cut Russia off from the international financial club during the middle of a Nato war with Yugoslavia.

Russia has already defaulted on its domestic debt. The government is desperate to open negotiations to reschedule its Paris Club debt. Without new funds, Russia will also default on its IMF repayments this year. This will prevent it from rescheduling other loans.

The west hopes that Russia will, in time, be part of the solution in the Balkans. If the G7 or the Nato countries want to bail Russia out – to keep the government from turning sour – they should do so openly. It is unfortunate that this has become the IMF's job. Equally, with parliamentary and presidential elections on the horizon, political loans can perhaps be justified to prop up the government and support free and fair elections. But again, this should not be the IMF's responsibility.

One thing that new loans will not disguise is the fact that the IMF has failed in Russia. At least the Fund is not going to donate new money. The loans will simply cover Russia's repayments. The money will never leave Washington.

This is a good thing. Billions of IMF dollars have simply been wasted in Russia, or leaked out of the country. Even the central bank has admitted under-the-counter activities. The IMF wants an explanation of what has happened to the $19bn it has already lent to Russia. It will make interesting reading.

Avoiding an IMF default will save embarrassment, both in Moscow and Washington. An IMF programme will also open the door to renewed World Bank lending. Together with a rising oil price, it will ease the government's fiscal difficulties.

However, Russia's transition has faltered. The present government has neither the inclination nor the wherewithal to get the economy back on track. Perhaps if there is a new president and a reforming administration after the elections, things will improve. In the meantime, the IMF's role, and the line between economics and diplomacy, have been muddied.

Unquenchable thirst

Regulators are worried about Coca-Cola's global expansion, but there is little they can do about it, say **John Willman** and **Betty Liu**

"Always Coca-Cola" has been the advertising slogan for the world's favourite soft drink for more than seven years. It is a message that has captured the attention of competition regulators around the world as the Atlanta-based group rapidly gulps down smaller rivals.

Coke already has more than half the global soft drink market – compared with 20 per cent for PepsiCo, its main competitor. Now, regulators are becoming increasingly agitated about Coke's plans to acquire the non-US drinks interests of Cadbury Schweppes, number three worldwide, which make Dr Pepper, Seven-Up and Canada Dry.

The latest watchdog to raise objections to Coke's plans is Karel Van Miert, the European Union's competition commissioner. On Wednesday he threatened the US group with heavy fines for failing to seek EU regulatory approval for its $1.85bn acquisition of the Cadbury drinks business.

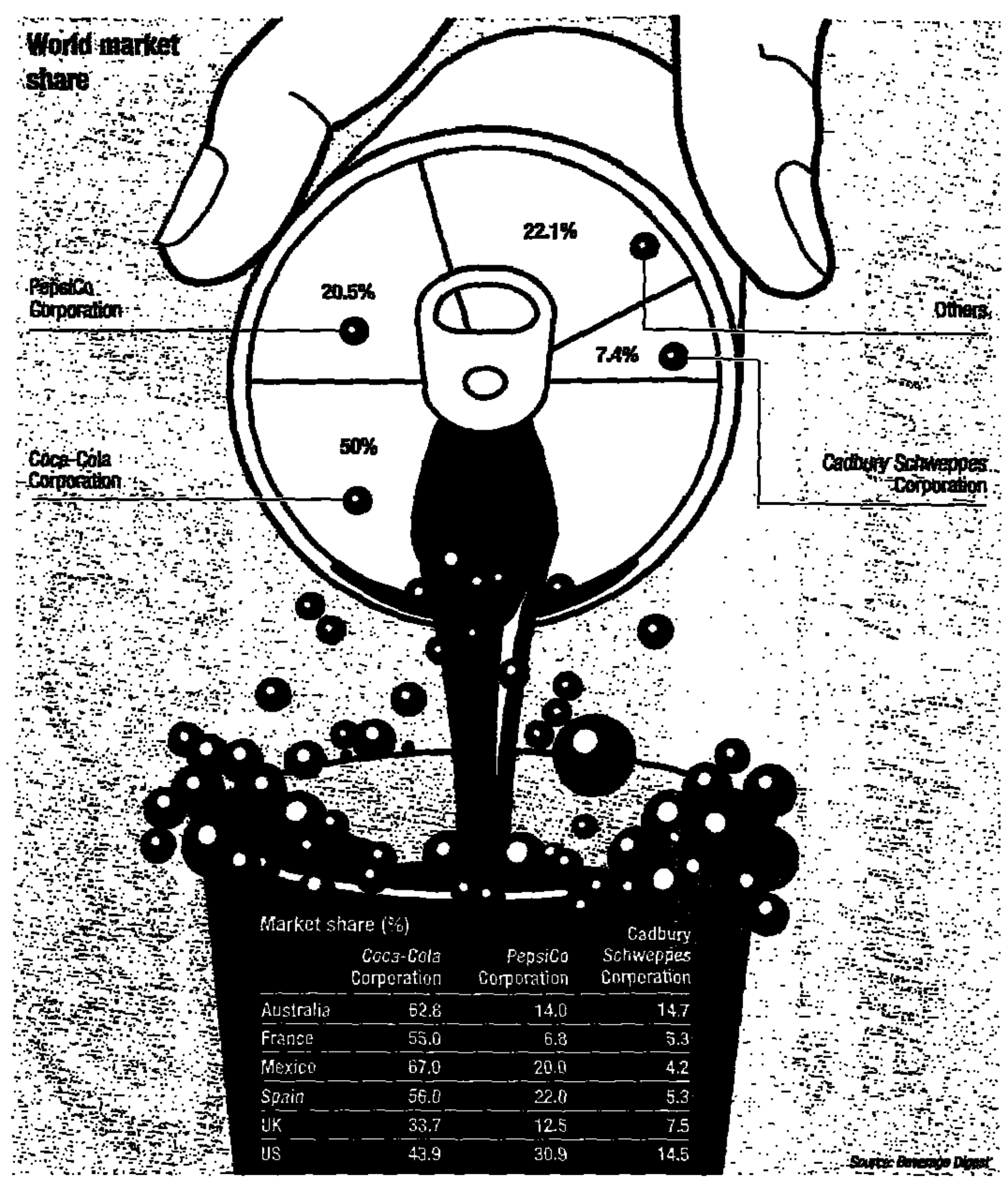
The deal has already raised objections from regulators in Australia, Belgium and Germany and is under close scrutiny in other leading markets, including Spain and Mexico. Meanwhile, Coke's plans to buy Orangina from Pernod Ricard of France for FFr5bn (£500m) have been blocked by the French authorities.

In both cases, the companies selling to Coke have strong brands and good market share in some countries. Schweppes is number two in Australia and South Africa, for example, while Orangina is France's number two soft drink.

Regulators may succeed in extracting concessions from Coke and even block its ambitions in countries where its dominance is already overwhelming. But most analysts believe the trend towards a Coke-Pepsi duopoly in the global soft drinks business is unstoppable.

"There just isn't room for more than two distribution networks worldwide," says David Lang of Investec Henderson Crosthwaite in London. "The investment needed is beyond all but the largest companies."

Smaller beverages companies are finding it increasingly difficult to grow in the shadow of the two cola giants. Only those prepared to invest enormous sums in distribution and marketing can hope to do battle with Coke and Pepsi.



Market share (%)	Coca-Cola Corporation	PepsiCo Corporation	Cadbury Schweppes Corporation
Australia	62.8	14.0	14.7
France	55.0	6.8	5.3
Mexico	67.0	20.0	4.2
Spain	56.0	22.0	5.3
UK	33.7	12.5	7.5
US	43.9	30.9	14.5

Source: Beverage Digest

Distribution is particularly important for soft drinks, as for other impulse products. The late Roberto Goizueta, Coca-Cola's chairman and chief executive between 1981 and 1997, was fond of quoting his predecessors' goal of always having Coke within "arm's reach of desire".

That meant ensuring supplies within five minutes of most consumers, preferably in chilled storage for immediate consumption. This is turn required bottling plants in each market, and distribution systems to deliver the products to supermarkets, convenience stores, petrol service stations, fast-food chains, bars and vending machines. A hefty marketing budget was also needed, including special offers for supermarkets in return for premium shelf positions. Generous bulk supply terms persuaded fast-food chains to agree exclusive deals to sell only one company's soft drinks through their dispensers.

Coke has built up its global distribution with a network of anchor bottlers – independent bottling companies covering particular markets. They handle the distribution and local marketing with support from Atlanta, which also takes a large stake in the companies to protect its interests.

In the former communist bloc countries of central and eastern Europe, for instance, Coke invested more than £500m over three years in basic infrastructure such as bottling plants and a fleet of trucks. It has now handed these assets to Coca-Cola Beverages, a London-listed company that expects to spend more than £100m annually for the next few years on chill cabinets, vending machines and dispensers in bars and restaurants.

"Coca-Cola has been strong operationally and was ahead of the game in developing the anchor bottling system," says Gary Hemphill of Beverage Marketing, a New York consultancy. "But now Pepsi is headed in the same direction."

The world's number two spun off its US bottling interests last month as the Pepsi Bottling Group. It has also taken a large stake in Whitman, its largest independent bottler, which covers the mid-West, in return for eastern European franchises.

Against such resources, European soft drinks groups such as Cadbury Schweppes and Pernod Ricard look small. Although Cadbury is the third largest beverage group globally, with 7.4 per cent of sales, much of that is because of its strength in the US, where its Dr Pepper/Seven-Up subsidiary has 15 per cent of the market. Outside the US, Cadbury's market share is closer to 3 per cent.

Late last year, Cadbury announced the sale of its non-US business to Coke – the cause of regulatory disquiet in recent weeks. "These brands are famous and profitable," says John Sunderland, Cadbury's chief executive. "But they can be more successfully grown outside the US in the Coca-Cola system."

For Coke, distributing more brands through its system is likely to be highly profitable, particularly where they do not compete directly with its own products. It also believes there is growth potential for Dr Pepper outside the US – and unlike Cadbury – it is prepared to invest in its expansion.

Pepsi was not prepared to make an offer when approached by Cadbury, but it has done its best to get competition authorities to block the deal. PepsiCo has refocused on its drinks business since spinning off its restaurant division in 1997, and has been increasingly turning to regulators where it sees Coke using unfair tactics. Its opposition to the Orangina deal, for example, contributed to the French veto.

This week Pepsi welcomed Mr Van Miert's admonition and the actions of regulators who have blocked the Cadbury deal. But the UK group remains determined to dispose of the Schweppes business and says it and Coke are prepared to negotiate over competition concerns.

They may be successful. But if a clean sale cannot be completed, the likelihood is that Cadbury will still find some way of handing Schweppes to Coke through a franchise arrangement.

"Coca-Cola has put together an extraordinarily efficient distribution system in Europe which other people can't really match," says George Thompson, analyst at Prudential Securities in New York. "If I'm Cadbury or Pernod, I'd be very interested in giving distribution rights to Coke."

Hoping things will go better

These are tough times for Douglas Ivester, chairman of Coca-Cola since the death of Roberto Goizueta in 1997. He took the helm of the soft drinks group just as the Asian crisis was sweeping through global markets.

He has had to battle shrinking sales, anaemic stock growth, plunging profits, and now, the derailment of plans to acquire Cadbury Schweppes in at least two countries.

Instead of reporting the usual double-digit returns to shareholders, Mr Ivester has spent the past year-and-a-half promising that business will bounce back – just like before.

But memories of Coca-Cola's past performance are deeply unflattering to Mr Ivester's record to date. Until his death from lung cancer in October 1997, the genteel, Cuban-born Mr Goizueta was raking in record profits, increasing worldwide sales at a rate of 7 to 8 per cent a year and basking in the glow of having created more than $100bn of shareholder value during his 16-year tenure at the head of the world's biggest soft-drinks concern. Under Mr Goizueta, Coca-Cola was twice crowned "America's Most Admired Company" by Fortune Magazine.

To be fair, Mr Ivester's troubles are also dogging other multinationals with big consumer operations in emerging markets. The currency devaluations and recessions in Latin America and Asia have sapped demand for Coke.

As for the kinks in the $1.85bn buyout of Cadbury's Schweppes business in 120 countries, analysts say they always expected the deal would face regulatory hurdles. "If you go in and ask for the world and only get half, you're still very satisfied," says George Thompson, beverage analyst at Prudential Securities.

Still, Coca-Cola's troubles have only prolonged the nagging questioning of Mr Ivester's leadership. Although Mr Ivester was Mr Goizueta's confidante for years, he was always the number-crunching half of the team, building up a successful anchor bottling system while Mr Goizueta concentrated on branding and marketing.

"Goizueta was a Yale-trained engineer, a person who was very good with conceptualisation. Ivester is more from a financial and accounting background, heavy on the logic and numbers," says Michael Ballis, president of Beverage Marketing Corp, a consulting and research firm.

Their personalities were also starkly different. Where Mr Goizueta was a statesman, an ambassador for the soft drinks industry, Mr Ivester is regarded as a "more in-your-face, rallying-the-troops" kind of leader, according to Skip Carpenter, analyst at Donaldson, Lufkin & Jenrette.

"Everyone's a bit critical of Doug now ... but when Goizueta came on board, he wasn't a real ace in the beginning, either. He made some mistakes, too," Mr Ballis says.

How much Mr Ivester's style has influenced company strategy remains unclear, although some analysts note that Coca-Cola has been particularly aggressive in buying up competitors since Ivester took over. The real test is likely to come when emerging market economies begin to recover, and Mr Ivester can reawaken their thirst for Coke.

OBSERVER

Opera buffa at the bank

Banca Comerciale Italiana's Milan headquarters stand next to the world's most famous opera house. So it's little wonder that, whatever other problems the bank might be prone to, there's no shortage of drama within its walls.

And the best La Scala tradition was much in evidence on Wednesday, when a nine hour annual shareholders meeting was followed by a board meeting lasting deep into the night.

At the heart of the saga is Mediobanca, the grand old Milan institution that's used to pulling most of the strings in Italian finance. For months Mediobanca's 92-year old boss Enrico Cuccia and his faithful associate Vincenzo Maranghi have tried to marry BCI to Banca di Roma, which is run by one of their pals.

But BCI's two joint chief executives, Pierfrancesco Saviotti and Alberto Abelli, have preferred to talk to UniCredito, another Milan bank, about a merger plenty of people think would make more economic sense.

On Wednesday they saw off an attempt to throw them off the board, and in the end an armistice was reached in the small hours of the night. BCI's now set to consider an altered merger proposal from UniCredito as well as an offer from Banca Intesa, another Milanese outfit which appears to have won Mediobanca's favour.

But the last word may well come from elsewhere. Antonio Fazio, the governor of the Bank of Italy, has already blocked one big merger this week. Could he do the same for UniCredito's bid, since BCI's board isn't exactly singing in perfect harmony?

Cyber quaint

Say the word "technology", follow up with "entrepreneur", and most people are likely to think of West Coast characters with flowing hair, awesome stock options and questionable social skills.

But a few companies out there don't quite fit the mould. Take CMP Media, a high-tech media company that yesterday attracted a $920m offer from the British group United News & Media.

The minds that thought up CMP didn't belong to techno-nerds in San Francisco but to an elderly couple in Long Island, Gerry and Lilo Leeds, who started the company as a travel industry publishing house and gradually moved into the computer world.

According to Burn Rate, a memoir of the internet's early years by journalist Michael Wolff, in the mid-90s CMP staff were wary of making the trip into Manhattan. The journey was accompanied by plenty of calls to check on garages and traffic, and when the executives finally emerged in the Big Apple they were "sweating and anxious". Later, the mere mention of New York made the eyes of Michael Leeds, the son of CMP's founders, narrow with suspicion.

That helps explain why people call the internet a global village.

Mamma mia

It's never less than amazing how momentous events in Swedish business life can be summed up by titles of Abba songs.

This week, the chart-topper that hits the spot is "The winner takes it all", since what was once a cosy corporate world has seen the sort of bust-up unimaginable in the days when the fantastic foursome wowed the world.

One one side is Marcus Wallenberg, chief executive of Investor, the giant holding company that's long called the shots in Swedish industry.

Yesterday, he slammed Volvo, perhaps the country's best-known industrial group, for taking a hostile stake in Scania, the heavy truck company Investor controls.

The Wallenbergs' anger is particularly acute because the man steering Volvo is Leif Johansson, a one-time chief executive of Electrolux, the white goods company in which Investor holds a hefty stake. "This has come as a horrible surprise," whispered one Investor confidant. All the more so, perhaps, because it isn't usual for Sweden's industrial groups to defy the Wallenbergs' wishes.

So the Abba song of the month definitely isn't "Knowing you, knowing me".

Prodi prepares

So where does Romano Prodi go when he wants to talk about how to put the pieces back together in the Balkans once the Kosovo war is over?

You might think that the European Commission's chief-in-waiting wanders off to his future place of work. But instead he's a couple of kilometres away at the Centre for European Policy Studies, an independent think-tank.

Prodi got in touch with the centre after it published a paper on "a system" for South-East Europe after the war. Earlier this week he was the centre of attention at a three hour-long brainstorm at CEPS that featured diplomats, industrialists and several commission officials.

Prodi was the first top international figure calling for an EU-led policy in the post-war Balkans. He's emphasised the region will be among his top priorities when he takes office. Meanwhile CEPS has cheerfully allowed its ideas to be re-christened the "Plan for Reconstruction, Openness, Development and Integration". You may find that the initials spell out someone's name.

The Financial Times

50 years ago

The rawest deal
Gas shareholders may feel that they have been the victims of the shabbiest of all the nationalisation deals. On top of the unfair basis of compensation at Stock Exchange prices, they are given a stock with maturity dates so far distant in time, that their protective influence in a falling market may well be negligible.

Moreover, the technical arrangements of gas nationalisation are the least satisfactory of any so far inflicted upon investors. Similar behaviour by private financial interests would certainly not be tolerated in the City.

The place of gold
The place of gold in the economy of the countries of the world is very much a subject of debate at the moment. In the latest copy of "U.S. News and World Report" there is an article which deals in a somewhat picturesque manner with the question why the gold standard is not yet making a comeback.

It points out that the whole world to-day owns $38,000,000,000 of monetary gold, of which the United States has $24,000,000,000, or far more than the rest of the world combined.

FINANCIAL TIMES

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THE LEX COLUMN

Cloudy solution

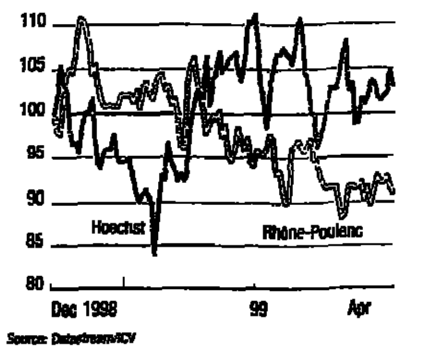
Those now tempted to call the bottom of the chemical cycle should either lie down or take a look at some of Hoechst's results. Basic chemicals, Celanese, saw first quarter profits plunge 67 per cent; technical polymers slumped 43 per cent. In case investors somehow missed the point, the management said industrial businesses would stay under the cosh for the year.

It is little wonder that Hoechst's largest shareholder has put a bomb under the company. A complex life-sciences merger with Rhône-Poulenc, due to happen over several years, should now be wrapped up by end-1999. This means Hoechst has to speed up the divestment of its chemical assets, valued by some at between $8bn and $10bn. The quickest way would be to bundle them together and spin them off to existing shareholders, who may not be grateful for equity in a rag-bag chemical holding company.

Some chemical assets could also conceivably be slipped into the life-sciences merger. That would risk complicating the divvying up of equity between Hoechst and Rhône-Poulenc.

The market is hardly taking the uncertainty in its stride. Hoechst shares trade on roughly 8 times forecast operating cashflows. That may seem harsh given the improvement in pharmaceuticals, where margins crept up to 19 per cent. But with so many question marks remaining about the shape of the merger, caution is warranted.

Hoechst/Rhône-Poulenc
Share prices relative to the FTSE Eurotop 300 (since announcement of merger plan)



Source: Datastream/ICV

Allied Domecq

Allied Domecq has the air of an emperor with no clothes. After the shares underperformed the UK market by about 50 per cent from 1994 to spring 1997, the Diageo merger – sparking hopes of emulation – and some encouraging results appeared to stop the rot. But hopes of a deal waned. Then Allied warned on profits. And yesterday the full monty was revealed – not a pretty sight.

The latest warning concerned pubs, but negative numbers abounded. Even in spirits, 5 per cent volume gains in the "core four brands" were offset elsewhere. That division had the best excuse for a flat performance: emerging markets. It is no wonder Tony Hales, chief executive, has associated himself with that side of the group. But he must, of course, take responsibility for the whole lot and – with Sir Christopher Hogg, chairman – implement a strategy to placate investors. The management's response seems to be a) "don't blame us if Seagram and the others won't play"; and b) "we do keep trying to tidy the thing up". But while there was evidence of spring cleaning – most of the disposal profits were absorbed by charges – there was little progress on strategy.

Allied should soon be clean enough either to do the long awaited merger or demerger, or to combine a big disposal with a share buyback. With the shares at well under £5, a 1998-99 price/earnings ratio of 12, now is certainly the time for shareholders to pile pressure on the board – but not to give up on the group.

Amazon.com

Amazon.com is the quintessential internet company. It is spending huge amounts of money now in the hope of reaping vast profits in the future. In the fast-moving world of the web, hyper-aggressive investment may seem the only viable strategy. But it is asking shareholders to take an awful lot on trust.

Just how much is only gradually becoming clear. Amazon is racing to broaden its product portfolio beyond books, music and videos. In the past three months alone it has added beauty products, pet-food and antiquarian books – all by acquisition – as well as starting auction and greeting card services. The expanded menu is drawing in the crowds: the group added a third to its customer base and posted a 236 per cent jump in quarterly revenues, well above expectations. But this growth is coming at a heavy cost. With the management yet again increasing investment, analysts now expect Amazon to lose around $300m this year instead of $130m, and $280m in 2000 rather than $60m. Ironically, most of the spending is not on sexy internet assets but on conventional warehouses.

Amazon's brand and loyal customers put it in a strong position but competition, given the net's low barriers to entry, could rapidly erode this. In that case, those huge profits will never materialise. The near-20 per cent drop in its stock this week suggests the first doubts about its business model are creeping in.

Asian restructuring

It had to happen sooner or later. Capital-starved Asian companies always needed to raise equity at some stage to repair their feeble balance sheets. Siam Commercial Bank's Bt65bn ($1.7bn) equity issue may be misleadingly eyecatching. While this is in theory the largest issue by a non-Japanese Asian company since late 1997, only half actually goes to private investors, the rest being government-subscribed. Nonetheless, at least the recapitalisation of Asia is beginning.

It is no surprise this is happening now. Asia's equity markets have rallied by 22 per cent in dollar terms since January 1, helped by stabilising economies and lower interest rates. This is not an export-led recovery. Rather, reduced imports have trimmed trade deficits, steadying currencies and allowing interest rates to fall. This has opened a window for Asian companies to lure in underweight foreign equity investors – the paymasters of recapitalisation.

That Thailand is leading the charge is also no surprise. Having led the region into crisis, it has taken the quickest and most radical steps towards reform. Unlike Korea, where the government has been reluctant to force the debt-burdened *chaebol* conglomerates to restructure for fear of foreign takeover, Thailand is prepared to admit outside capital – even control. Its fleet-footedness looks astute since there is always the danger of another Asian market correction.

Milosevic switches the focus as Moscow's envoy flies in

Yugoslav president praises Serb-Albanian 'agreement'

By Our International Staff

President Slobodan Milosevic of Yugoslavia yesterday sought to pre-empt an international peace settlement, arranged by Russia, by focusing attention on a purported agreement with Ibrahim Rugova, the ethnic Albanian leader believed to be under house arrest in Kosovo.

Serbian TV reported that Mr Milosevic had called an agreement made on Wednesday between Mr Rugova and Serbian president Milan Milutinovic a "first victory on the road to peace" after six weeks of conflict over the Serb province.

The Milutinovic-Rugova statement called for an end to Nato bombing and for Kosovo to be given "wide self-rule" within Serbia. Nato claims Mr Rugova made the declaration – and other statements since the crisis began – under duress.

Mr Milosevic's intervention came as Victor Chernomyrdin, Russia's former prime minister and special envoy on the Yugoslav crisis, arrived in Belgrade. In earlier talks with Chancellor Gerhard Schröder of Germany in Bonn, Mr Chernomyrdin raised hopes that Moscow was closer to accepting a significant Nato role in an international peacekeeping force and was moving towards the western allies' stance.

In Belgrade, a spokesman for the Yugoslav president proposed an alternative. "An international presence in Serbia's Kosovo province is not a problem," said Ivica Dacic of Mr Milosevic's Socialist party. "But only a civilian and unarmed mission under United Nations auspices, with Russia's participation, would be acceptable."

Mr Schröder said the positions of Nato and Russia had grown nearer after he met Mr Chernomyrdin.

In Brussels, Strobe Talbott, deputy US secretary of state, briefed Nato on talks he had held in Moscow and said Russia was "pulling out the stops" in trying to contribute to ending the Kosovo conflict. Mr Talbott emphasised that neither the US nor Nato was negotiating with Moscow, and nor was the alliance negotiating with Belgrade through Moscow.

Robin Cook, UK foreign secretary, also insisted Mr Chernomyrdin was "not acting as an intermediary on [Nato's] behalf", but he hoped the Russian envoy would make Belgrade understand Nato's demands were non-negotiable.

A senior UK official said: "We are pretty realistic – pessimistic – about the likelihood of a breakthrough," but did not rule out Mr Chernomyrdin's chances of success, adding: "It's conceivable that Milosevic could surprise us all."

The White House, meanwhile, warned Mr Milosevic not to interpret Wednesday's vote in the House of Representatives, which rejected a resolution of support for the war, as a sign of weakening US resolve.

Reporting by Ralph Atkins in Bonn, David Buchan in London, Alex Nicoll in Brussels and Deborah Macgregor in Washington

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Seoul to probe possible misuse of popular $3bn Hyundai fund

John Burton in Seoul

South Korea is to investigate a popular equity fund managed by Hyundai, the nation's largest conglomerate, for possible misuse of funds.

The decision was partly responsible for a 4.7 per cent fall in the Seoul share index yesterday to 752.61 points.

Hyundai's Buy Korea Fund has become a symbol of Seoul's booming stock market since its launch in early March, attracting Won4,000bn ($3.38bn) from investors on promises that the share index would reach 2000 within three years.

Lee Ik-chi, the head of Hyundai Securities, has heavily promoted the fund in television commercials, newspaper interviews and meetings with small investors – mostly housewives – with a goal of collecting Won100,000bn by 2002, or more than three times the assets Hyundai is now managing. But the finance ministry said it would monitor the fund because of concerns that Hyundai was using much of the money raised to buy the shares of companies within the Hyundai group.

It believes that the share purchases could be part of an effort by Hyundai to reduce the group's debt/equity ratio to a government target of 200 per cent by the end of the year.

The success of the Buy Korea Fund has persuaded other leading conglomerates, or *chaebol*, including Samsung, to establish similar equity funds.

The government, which has stepped up its efforts to force recalcitrant *chaebol* to reform, said it would also supervise these funds for any violations.

Under its recent restructuring programme, Hyundai said it planned to raise Won10,000bn through new rights issues this year to help reduce its debts of nearly Won80,000bn.

Equity funds managed by *chaebol* are subject to guidelines limiting their investment in linked companies. There are also worries about the financial stability of the Buy Korea Fund, which issues beneficiary certificates to investors with guaranteed returns after a specified period. Hyundai could face large losses if the stock market falls.

Officials added that the Buy Korea Fund was exposed to liquidity risks because of the possibility of sudden withdrawals by customers.

State prosecutors have already launched an investigation into alleged insider stock trading by Hyundai affiliates to boost the share price of Hyundai Electronics in an apparent effort to reduce its debt/equity ratio by raising its share price.

The Buy Korea Fund has benefited from a cut in interest rates aimed at promoting economic recovery after last year's financial crisis.

This has boosted the stock market and encouraged investors to withdraw funds from low-yielding bank accounts and switch their money into equities.

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Iraqi president Saddam Hussein celebrates his 62nd birthday with school children in Baghdad. Picture: Reuters

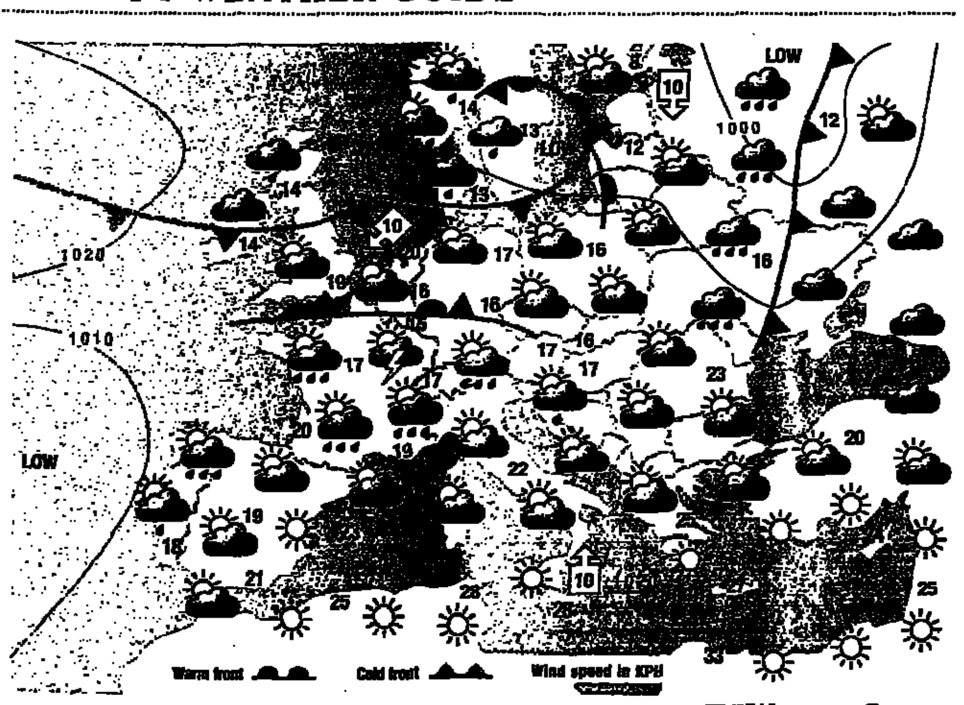
FT WEATHER GUIDE

Europe today

Scandinavia will be cold in the north where there may be some sleet or snow showers. However, Denmark and southern parts of Sweden and Norway will be milder, although it will be cloudy with rain. The far east of Europe will have heavy rain owing to a frontal system stretching from Finland to the Black Sea. A large area from north-east Germany to the Balkans will be mostly dry with sunshine. Much of the Mediterranean will be warm and sunny but western Europe will have a few showers, some with thunder.

Five-day forecast

The Iberian peninsula will be very unsettled, with showers and rain. The rain will be especially heavy on Monday. The eastern Mediterranean will be mostly dry, sunny and warm with isolated showers. Central and western Europe will have showers over the weekend, although it will become drier next week.



Situation at midday. Temperatures maximum for day. Forecasts by PA WEATHERCENTRE

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Sun	40
Accra	Shower	32
Algiers	Sun	25
Amsterdam	Fair	20
Athens	Sun	25
Atlanta	Fair	21
B. Aires	Fair	20
B.ham	Sun	19
Bangkok	Fair	34
Barcelona	Sun	20
Beijing	Sun	23
Belfast	Cloudy	13
Belgrade	Fair	24
Berlin	Fair	17
Bermuda	Shower	22
Bogota	Shower	19
Bombay	Fair	32
Brussels	Shower	18
Budapest	Fair	17
C.hagen	Shower	13
Cairo	Sun	30
Caracas	Fair	30
Cardiff	Sun	18
Casablanca	Fair	22
Chicago	Sun	18
Cologne	Thunder	18
Dakar	Fair	26
Dallas	Thunder	25
Delhi	Sun	42
Dubai	Sun	39
Dublin	Cloudy	14
Dubrovnik	Sun	24
Edinburgh	Fair	13
Faro	Fair	19
Frankfurt	Shower	18
Geneva	Shower	17
Gibraltar	Fair	21
Glasgow	Cloudy	14
Hamburg	Fair	16
Helsinki	Cloudy	8
Hong Kong	Shower	25
Honolulu	Fair	28
Istanbul	Fair	23
Jakarta	Fair	33
Jersey	Shower	13
Johannesburg	Fair	20
Karachi	Sun	37
Kuwait	Fair	35
L. Angeles	Fair	18
Las Palmas	Fair	22
Lima	Fair	25
Lisbon	Shower	18
London	Fair	19
Lux.bourg	Thunder	15
Lyon	Shower	19
Madeira	Shower	19
Madrid	Fair	19
Majorca	Sun	23
Malta	Sun	28
Manchester	Fair	18
Manila	Shower	33
Melbourne	Fair	17
Mexico City	Fair	26
Miami	Thunder	29
Milan	Fair	21
Montreal	Fair	14
Moscow	Rain	12
Munich	Shower	18
Nairobi	Fair	26
Naples	Sun	26
Nassau	Thunder	29
New York	Fair	17
Nice	Fair	19
Nicosia	Sun	24
Oslo	Fair	14
Paris	Shower	17
Perth	Sun	27
Prague	Fair	18
Rangoon	Thunder	36
Reykjavik	Shower	7
Rio	Fair	26
Rome	Fair	22
S. Frsco	Sun	19
Seoul	Sun	21
Singapore	Fair	35
Stockholm	Shower	13
Strasbourg	Thunder	18
Sydney	Shower	17
Tangier	Shower	20
Tel Aviv	Sun	25
Tokyo	Fair	18
Toronto	Sun	18
Vancouver	Shower	18
Venice	Fair	20
Vienna	Cloudy	17
Warsaw	Fair	16
Washington	Fair	17
Wellington	Fair	16
Winnipeg	Cloudy	23
Zurich	Shower	17

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FINANCIAL TIMES
COMPANIES & MARKETS
FRIDAY APRIL 30 1999
Week 17

INSIDE

Mannesmann weighs its options
Mannesmann was still celebrating its DM2.25bn ($1.22bn) purchase of the o.tel.o fixed-line business when rival Deutsche Telekom joined forces with Telecom Italia to form the world's second largest telecoms company. Now Mannesmann is having to rethink its expansion. Page 26

BAT nears completion on Rothmans

British American Tobacco expects its £5.3bn ($8.5bn) takeover of Rothmans International to clear the last regulatory hurdle in Australia and be completed by the end of June. Martin Broughton, chairman (left), said the merger would have an impact on the balance of the year but, excluding Rothmans, operating profit should be similar to that of last year. Page 30

London gilts sale fails to glister
Analysts said investors were unwilling to commit themselves to a gilt they considered overvalued after an auction of £500m ($805m) of index-linked British government bonds undersold for the first time since 1995. Page 32

Euro depressed by Balkan gloom
The euro dipped to $1.059 by the end of London trading on renewed fears that the Balkan crisis would engulf Macedonia and Albania and hopes of a peace deal receded. Page 33

Spending boosts credit card lenders
Two US specialist credit card lenders, Providian Financial and Capital One Financial, doubled their share prices in 1998 and in trading this year are up more than 75 and 50 per cent respectively as heavy consumer spending combines with low credit losses. Page 23

Iron exporters bend to market forces
Iron ore exporters are aggressively discounting below sharply lower benchmark prices in order to bolster volumes as the market comes under fresh pressure from contracting world crude steel production, falling freight rates into Asia and excess ore supply. Commodities, Page 34

War drives up defence stocks
France's Thomson-CSF and Lagardère and British Aerospace have risen by up to 20 per cent recently. Nato's intervention in Kosovo is not yielding extra orders but it may boost the defence industry by revealing shortcomings in Europe's armed forces. Euro markets, Page 31

Manila recovers pre-crisis spirit
Manila's sluggish dealing rooms have been revived by an upsurge of liquidity in Asian markets. The Philippines' PSE 30 index has risen 21 per cent this month to 2,459 and the market has rallied 123 per cent since its low in September 1997. Emerging market focus, Page 44

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MARKET STATISTICS

Ellipso turns to Boeing for funds

Aerospace group may control satellite phone venture

By Christopher Price in London

Boeing is in talks to take control of Ellipso, a hand-held satellite mobile telephone group, in a move likely to cost the US aerospace group around $500m.

The negotiations come in the wake of the disastrous start made by Iridium, which launched the first use-anywhere global mobile phone service six months ago, but breached its banking covenants after failing to attract enough subscribers.

Ellipso has turned to Boeing, its prime contractor and owner of a 10 per cent stake, to further fund the $1.5bn project because Iridium's problems have soured the market for satellite public offerings and made the debt markets fearful of further exposure.

The move may be of concern to Boeing shareholders given the Iridium situation. Iridium, which is backed by Motorola and has spent $5bn on its system, attracted just 10,000 subscribers in its first five months and reached just more than $1m in revenues.

Poor marketing was compounded by technical problems. Iridium's phones were priced at $3,000 and its call rates, as high as $7 a minute, were seen as expensive in a mobile market where call and handset costs have been falling dramatically.

In addition, roaming agreements among conventional mobile operators, underpinned by the success of the GSM mobile standard, have undermined the use-anywhere benefit of direct satellite services, such as Iridium.

Ellipso, a private company based in Washington, DC, believes its business model differs markedly from its rivals – although it is still targeting the so-far elusive business traveller who wants to be able to phone to and from anywhere in the world.

The group says its low start-up costs compared to its rivals will enable it to charge much lower call rates. For this reason, it believes the Ellipso service will be popular in developing countries lacking a telecommunications infrastructure.

Ellipso was founded by David Castiel, president and chief executive, who patented the company's orbit pattern. Investors in the group include Lockheed Martin, Harris Corporation and Israel Aircraft Industries.

Ellipso intends to launch in 2002. Two other satellite services are due to launch ahead of Ellipso, further crowding the tiny market. Globalstar is due to launch this year and ICO Global Communications intends to launch next year.

Analysts put the total amount of funding required for the five systems at more than $12bn. Iridium's difficult start has intensified doubts that the market could support five competing systems.

Groups eye developing world, Page 5

Internet traffic boost for MCI WorldCom

By Richard Waters in New York

MCI WorldCom has stretched its lead as the biggest carrier of communications traffic on the internet, according to first quarter earnings figures released yesterday.

The news came as the US carrier remained locked in negotiations over an acquisition of Nextel, a US wireless carrier, a deal that would launch it into a fast-growing part of the telecoms business. The talks are thought to have been slowed by disagreement on significant issues including price.

Although MCI WorldCom's lack of a wireless operation has led it to miss one of industry's biggest growth areas, the company, created by a merger last year of Worldcom and MCI, still outgrew other large US carriers in the first three months of this year.

The underlying growth of 17 per cent in its communications activities, to $7.9bn, outstripped that at other US carriers, ranging from 4 per cent at Bell Atlantic to 10 per cent at BellSouth.

"Growth is of highest priority to us," said Bernie Ebbers, chief executive. The company would shortly announce plans to invest an extra $1bn, most of it raised from the sale of its Systemhouse subsidiary, to boost its data and international networks.

Behind its latest figures lay a 60 per cent jump in internet revenues, to $758m, while total revenues from data services reached $2.46bn, almost 40 per cent higher than a year before.

The figures appear to indicate that the sale of MCI's internet activities last year to Cable and Wireless of the UK, imposed by anti-trust authorities as a condition of the merger, has not slowed the growth of the company's market share on the internet.

While still valuing MCI WorldCom on the strength of its high growth rate, Wall Street has turned its attention to the company's earnings as it tries to squeeze $2.5bn of cost savings this year.

Those efforts appear to be paying off as the company produced earnings per share of 38 cents in the first quarter, ahead of most analysts' expectations, compared with 10 cents a year before.

Liffe in move to lift ban on operating in the US

By Edward Luce in London

London's futures exchange is to apply for a waiver on a regulation banning foreign exchanges from operating in the US in a last ditch attempt to overcome what the exchange claims is "discrimination" against it.

Brian Williamson, chairman of the London International Financial Futures and Options Exchange, has described the US regulation as an "injustice" which is "clearly discriminatory and anti-competitive".

Under the regulation, which the Commodity Futures Trading Commission, the US derivatives regulator, is reviewing, foreign exchanges are officially debarred from setting up trading screens in the US.

However, Liffe's main competitor, the Frankfurt-based Eurex, has screens in the US under a waiver it received in 1996. Last year the CFTC froze the number of Eurex screens. Liffe claims its exclusion is strangling London's chances of competing with Eurex in the US market.

The Frankfurt exchange overtook the Chicago Board of Trade to become the largest derivatives exchange in the world in March. It derives 6 per cent of its turnover from the US market but a much larger share in some of its leading contracts, including the future on the 10-year German government bond, the most heavily traded future in the world in March.

But Eurex, which is lobbying alongside Liffe and Matif, the Paris-based exchange, for an opening of the US market to foreign exchanges, says it installed its screens two years before Liffe even decided to switch to electronic trading.

Mr Williamson yesterday said he was optimistic the CFTC would approve the waiver. Liffe, which is investing $5m on building a US "hub" for its screens on the assumption it will be granted a waiver, says it must receive permission within weeks if its plans are not to be upset by the so-called "millennium bomb".

"We need several months to undertake trials of the system," said one official. "Anything later than July means we could have to wait until January 2000."

Foreign exchanges accused the CFTC of "protectionism" and "obfuscation" last month when the regulator published a lengthy draft proposal on the rights of foreign exchanges to trade in the US. Officials said the document was riddled with caveats and would make a nonsense of the CFTC's claim that it was opening up the market. The resulting furore persuaded Liffe that it could take months before a new draft proposal was unveiled.

Many of the Europeans believe the CFTC has come under fierce lobbying pressure from the Chicago futures exchanges which are predominantly floor-based operations and are thought to be fearful of competition from foreign screen-based rivals.

A prospective alliance between the CBoT and Eurex fell apart last year after the election of David Brennan as chairman of the Chicago exchange. Mr Brennan baulked at the costs of the proposed tie-up. Matif is in an alliance with the Chicago Mercantile Exchange and Simex, the Singapore Exchange, known as Globex.

Siam Commercial raises $1.75bn

Capital-generating rescue package may herald end to Thai banking crisis

By Ted Bardacke in Bangkok

Siam Commercial Bank, Thailand's fourth largest commercial bank, yesterday completed a landmark $1.75bn capital-raising scheme that may herald the end of the country's banking crisis.

Under the government-private sector plan, private institutional investors in Asia, the US and Europe bought Bt32.5bn ($865m) worth of new shares at Bt26 per share, a price much higher than expected.

Thailand's Crown Property Bureau, Siam Commercial's largest shareholder, spent Bt7.5bn to purchase the largest single block of shares.

The Thai government matched the Bt32.5bn investment and gave the new private investors warrants allowing them to buy Siam Commercial shares back from the government in three years at a price of Bt29.45 per share.

The deal, co-ordinated by Salomon Smith Barney, is the largest Thai equity offering ever and comparable to the near $2bn in private equity raised more than a year ago by Bangkok Bank and Thai Farmers Bank.

It is the first success for the Thai government's capital assistance programme for troubled commercial banks.

The programme had been languishing since it was announced last August, with bank owners resisting clauses that require a change in bank management and provision in advance for bad debt to be borne by current shareholders. But the structure of the Siam Commercial deal proved benign on both fronts, analysts said.

Among upper management, only Olarn Chaipravat, president, and Prakit Pradipasen, senior executive vice-president, lost their jobs, while the Crown Property Bureau has been allowed to assert more operational control.

In addition, provisioning levels are to be be raised only after the bank receives the new capital. Old shareholders are still being heavily diluted, almost 80 per cent, but lose much less than they would have if provisions had been made before the capital-raising exercise.

Recognition of this structure has led Siam Commercial Bank ordinary shares to soar more than 30 per cent since the new issue began being marketed earlier this month. It could also prompt Bank of Ayudhya and Thai Military Bank, the two remaining large Thai banks in need of a big injection of capital, to duplicate Siam Commercial's placement.

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Lifeline for banking, Page 27

A Thai state worker holds a skull during demonstrations in Bangkok against the government's efforts to privatise state enterprises as part of reforms to beat the country's economic crisis Picture: Reuters

UK publishing group bids $920m for CMP Media

By Richard Rivlin in London

United News & Media, the UK television and publishing group, yesterday launched a recommended $920m offer for CMP Media, a US technology media company.

United News intends to combine Nasdaq-listed CMP into its Miller Freeman trade show and publishing business. The deal will help turn Miller Freeman into a leading online provider of business-to-business products and services for the technology market.

Under the terms of the deal, United News is offering $39 for each of CMP's shares. The Leeds family and related trusts account for 68 per cent of CMP's stock and have agreed to support the bid.

United News shares rose 47p to 720p as the market interpreted the deal as likely to bring new revenue from the internet. The bid for CMP follows Miller Freeman's $111m acquisition of Continuing Medical Education in March. Both deals will strengthen Miller Freeman's position in the US market.

Lord Hollick, United News chief executive, intends to open the internet arm of CMPNet and existing Miller Freeman high-technology groups to public subscription in the US later this year. The online business of CMP, together with Miller Freeman's existing internet arm, is forecast to see revenues of $35m in 2000.

"We will set up a tracker stock to give investors access to the internet arm. Investors will have ownership of the earnings but not of the assets," Lord Hollick said.

In 1998 CMP had revenues of $478m and earnings before interest, taxation, depreciation and amortisation of $29m. Its titles include Computer Reseller News.

The deal, which United News said would be earnings enhancing after 2000, is to be funded by debt. The transaction and restructuring costs will result in an exceptional item in the profit and loss account of $65m after tax and an additional $65m in the group's balance sheet.

Lord Hollick said: "This is bang in line with our strategy of moving into high growth markets. CMP has a great position and we have been talking with them for the last year.

"There is a great opportunity to cut costs through elimination of loss-making businesses, merging of functions as Miller Freeman has an efficient US structure and by managing the yield."

United News hopes its actions will lead to a rise in CMP's operating margins to at least the 20 per cent level achieved by Miller Freman.

Anthony de Larrinaga, a media analyst at WestLB Panmure, said: "It fits the bill strategically taking Miller Freeman into the hi-tech arena. It is an attractive deal and further increases the group's focus on television and business to business."

After the deal United News will receive 58 per cent of its profits from business services.

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TELECOMMUNICATIONS MEXICAN CARRIER TO SEEK GROWTH THROUGH STRATEGIC ALLIANCES

Telmex chief outlines group's expansion strategy

By Andrea Mandel-Campbell in Mexico City

Telmex, the telecommunications group which is Latin America's largest company, will remain firmly in Mexican hands but will continue to seek strategic alliances abroad in its bid to expand coverage throughout the region, said Carlos Slim Helú, Telmex president.

"Telmex is not just any company; it's fundamental for the future of the country and we want to be a national company of Mexicans in Mexico with international alliances to the south and especially to the north," said Mr Slim.

He is also chairman of Carso Global Telecom, which owns a controlling 26.5 per cent stake in Telmex along with Southwestern Bell, the US telecoms company, and France Telecom.

The former telephone monopoly wants to enter the US cellular market, said Mr Slim, following the recent purchase of a 55 per cent stake in Topp Telecom, a US-based wireless communications company. Telmex is also about to launch cellular services in Guatemala where it operates Telgua, the fixed-line telephony company.

In Mexico, Telcel, Telmex's mobile arm, is the market leader, with more than 95 per cent growth in its subscriber base in the past 12 months.

Mr Slim said that Telmex would also expand its reach through the internet. It plans to launch internet services throughout Latin America, starting in Guatemala, through Prodigy, the US internet provider it acquired last year.

Prodigy, with some 500,000 US subscribers, launched a service in Spanish this month with links to CNN and Yahoo! sites also in Spanish. The move is part of an attempt to target the 20m-strong Hispanic population in the US, which includes some 7m Mexicans.

The effort also includes selling, to Mexicans living in the US, telephone lines in Mexico – to be paid for those expatriates – for instalment in family members' homes in Mexico.

Telmex, through an alliance with Sprint, was given permission to resell national and international long-distance services in the US last August, although it has so far been blocked from a full licence due to a dispute with AT&T and MCI WorldCom over international settlement rates.

A tentative agreement over settlement rates was reached with the two US carriers earlier this year but AT&T and MCI are still objecting to Telmex's entry into the US, arguing that it retains a dominant position in Mexico and employs anti-competitive practices.

Mr Slim however played down Telmex's desire to become a full operator in the US. "Of course we are still interested in long-distance but every day it becomes a less valuable commodity."

He also dismissed speculation that Carso could lose control over Telmex when a special trust representing the voting shareholders was broken up at the end of 2000.

Under Telmex's 1990 privatisation agreement, its L shares or ADRs can be converted into voting shares following the dissolution of the trust, currently the sole holder of voting shares.

Nonetheless, analysts say that, due to a share buy-back programme by Carso over the past five years, it would retain outright control.

Apache in $715m deal with Shell Oil

By Beverly Narum in Houston and Robert Corzine in London

Apache Corporation, a Houston-based independent oil and gas production company, has agreed to buy about half of Shell Oil's exploration and production properties in the outer continental shelf of the Gulf of Mexico for $715m and 1m shares of Apache common stock.

The agreement includes 22 producing fields and 16 exploration leases. Apache estimates the properties have proven reserves of 127.3m barrels of oil and natural gas.

For Apache the purchase is part of its strategy to buy mature properties in North America to generate cash to finance international exploration.

The company believes it can produce oil and gas more efficiently than larger oil companies such as Shell Oil.

Raymond Plank, Apache chief executive, said: "Alternate shareholder reward is predicated upon the value we seek to add, the continuing environment of volatile oil and gas prices and the success of our strategy to fund discovery of oil and gas in our growing international core areas."

Walter van de Vijver, Shell E&P chief executive, said the move was part of an overall programme to streamline operations and upgrade its position in the Gulf of Mexico.

In recent years Shell has shifted its Gulf of Mexico emphasis to deep water areas, where it has made a number of large discoveries.

Earlier this month Shell announced it would spend about $900m developing the deep water Brutus field, with first production expected in late 2001.

"Our intent is to focus our activities in those areas with longer-term strategic value," he said.

The transaction is expected to close within 30 days.

Internet stocks fall and stall

By Roger Taylor in San Francisco

Amazon.com, the internet retailer, this week reported a 236 per cent increase in revenues and its stock dropped 13 per cent. America Online announced a near-tripling in net income and earnings 2 cents ahead of forecast, but investors punished the stock. In the world of the internet even the most explosive growth can disappoint.

Despite many leading companies meeting or beating expectations, the overall mood of internet investors following this month's earnings announcements is downbeat. Most of the leading shares are well off their highs. AOL is at $136¾, against a high of $175½. Yahoo! is at $169¼ from a high of $244. Amazon.com is down to $168⅞ from a high of more than $221.

Rather than boosting the sector, the latest results appear to have stalled it. The Kebdex index of leading internet stocks – maintained by Keith Benjamin, internet analyst with BancBoston Robertson Stephens – has been underperforming the Nasdaq composite.

However, analysts point out that there is a silver lining. Although internet stocks have been troubled, they have not collapsed.

However, there have been some worrying signs of weakening performance. Two weeks ago Infoseek, one of the leading internet companies and a partner of Walt Disney, reported a slight drop in revenues from the first to the second quarter. It said it expected revenues to pick up again and blamed delays in signing new promotional deals while it got its new Go.com internet site up and running. However brokers BT Alex Brown downgraded the stock from strong buy to buy.

The following day Excite, another leading internet portal, reported a 123 per cent increase in revenues, but missed earnings estimates with a loss 1 cent higher than expected. Donaldson, Lufkin & Jenrette, the broker, has since downgraded the stock from buy to market performer.

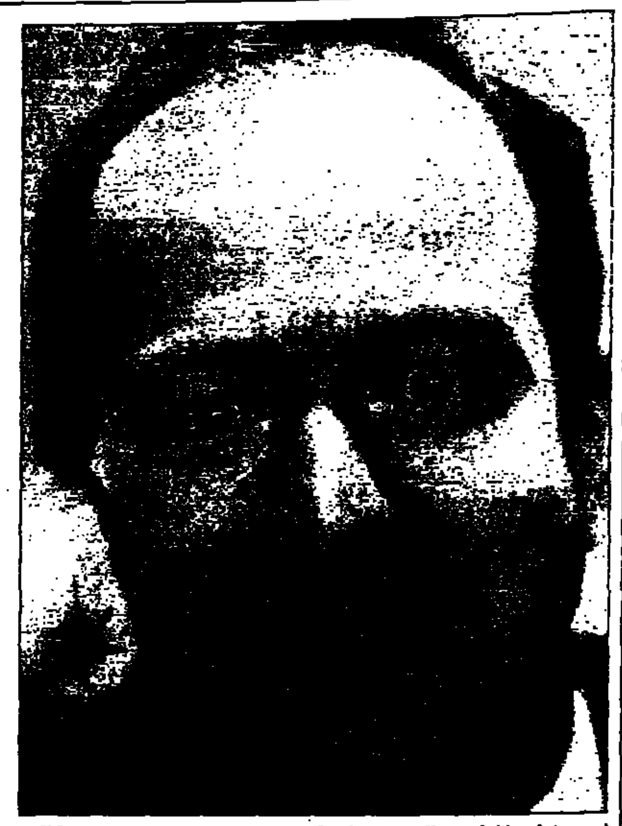
The astonishingly high valuations put on internet stocks has led to a widespread expectation that the slightest sign of weakness could bring the whole sector down with a thump. And that appeared to be the case last week when it suffered one of its worst ever falls, with most stocks dropping 15-30 per cent.

However, the market has since steadied, with many stocks winning back much lost ground. Although internet stocks continue to weaken, they remain strongly up on the year. The Goldman Sachs Internet Index shows a gain of more than 30 per cent over the past three months and a threefold leap over the past six months.

Jeff Bezos, chief executive of Amazon, warned this week that the growth rates were bound to slow. It is a refrain often heard from internet companies, but it does little to dampen rampant enthusiasm among investors. And many businesses continue to beat even the wildest hopes.

This week eBay reported a 469 per cent sales increase and earnings more than double forecasts.

Such feats will become rarer as the internet grows. However internet investors have shown they can respond to signs of a slowdown without panicking.



Jeff Bezos: warned on Amazon's slowing growth Ashley Ashwood

Cashflow rises 29% in quarter at USA Networks

By Christopher Parkes in Los Angeles

USA Networks, the cable-television and e-commerce group, picked up pace in the first quarter as all divisions contributed to a 29 per cent increase in cashflow.

The networks and studio operations, including the most popular cable service, USA and the top-ranked knock-about talk show hosted by Jerry Springer, increased operating cashflow by 30 per cent to $109m.

While revenues from this business increased only 2.6 per cent to $332m, the company said the networks, which include the Sci-Fi cable channel, showed a 10 per cent improvement. Group revenues rose 8.5 per cent to $729m.

The improvement in TV cashflow, defined as earnings before interest, taxes, depreciation and amortisation, and considered by some as the most reliable measure of progress at indebted companies, was driven by strong advertising.

The US network, which regularly attracts more than double the average cable channel audience, is especially popular for its wrestling coverage.

Home Shopping Network, one of the original television-based electronic commerce operations, improved cashflow 26 per cent, while the group's event ticket-selling division grew 31 per cent.

Although it is still the smallest of the divisions, online ticket sales are gathering pace. Online sales accounted for almost 9 per cent of all tickets sold during the quarter by the Ticketmaster subsidiary, up from 2.5 per cent last year.

The evolving group, which is run by Barry Diller, credited with building News Corporation's Fox broadcast network, is 43 per cent owned by Seagram.

It is based mainly on television assets formerly run by Seagram's Universal Studios, which recently sold its independent film making arm, October Films, to add to Mr Diller's collection.

NORMA COHEN
THE PROPERTY MARKET

Public assets in private hands

The UK government's sale of a 700-property estate may prompt an overhaul of corporate ownership and management

Who are the "right" owners of property? If the answer appears unclear, the UK's National Audit Office at least thinks it knows who the "wrong" owners are – government.

In a report published last week, the NAO pronounced on the UK government's largest property transaction and concluded that the Department of Social Security's decision to transfer ownership and management of its 700-property estate is truly value for money.

The NAO report on Trillium, the Goldmans Sachs-backed consortium which has taken on the ownership and management of the estate, has been eagerly awaited by investment banks keen to do similar deals. It is expected to serve as a blueprint for corporations waking up to the fact that they have inadvertently entered the property business.

Carl Berquist, deputy director of Arthur Andersen's worldwide real estate practice in Washington DC, notes that the DSS is not the first government agency to look at how it uses property. In 1992, the General Services Administration, a body of the US government, commissioned a study as part of a comprehensive review of its effectiveness as a service provider.

Although the GSA has not acted on that study, it is clear that others in the corporate sector are thinking that way.

"Historically there was a belief that owning your property was a way of controlling your destiny," Mr Berquist says. "But increasingly, the focus is on returns on capital. The emphasis is on investment in intellectual capital, not physical capital," he says.

Mr Berquist cites the US cellular phone companies as a sector which has realised that property ownership actually reduces returns on capital. "Cellular phone companies need towers," Mr Berquist says. Initially, they built towers on which they sited transmitters. "Then they realised they can sell the towers and just lease the space from others," he says. Moves such as these are beginning to attract institutional investors.

Indeed, the question is perhaps not why specialist property investment companies are arising, but why it has taken so long for non-property companies to demand their creation. The US recession of the early 1990s sparked the outsourcing of almost every conceivable non-core activity, except property, arguably the one with the greatest cost.

However, some large corporations are clearly making the strategic decision to leave the property business. Last year, Bell Canada sold off its entire real estate portfolio to Toronto-based Trizec Hahn, one of North America's largest property investors.

Greg Wilkins, president and chief operating officer of Trizec Hahn, says that Bell Canada leased back the properties through a series of five to 15-year contracts, intended to give it greater flexibility, while giving TrizecHahn scope to improve the assets and raise rental income.

TrizecHahn provides all management duties, and leases give the tenant the chance to break terms if the standard of service falls below mandated levels.

"There was a psychology that many large companies think they need to own the space they occupy," Mr Wilkins says. "Now they know this isn't the case."

The phenomenon is not limited to the US. This month, Union Bank of Switzerland announced it intends to sell about 500 of its Swiss property assets, some of which will be leased back under long-term leases, with the rest to be sold off.

"Property is not one of our core businesses," a spokeswoman explains.

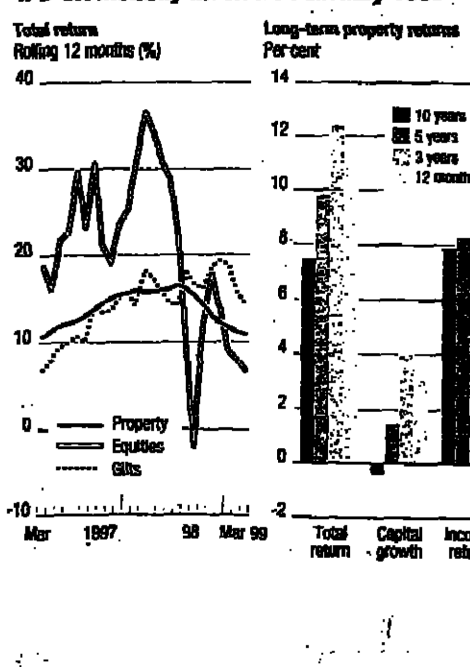
The question is whether the fact that the NAO has stamped its imprimatur on the DSS deal will encourage the private sector to make such a sweeping overhaul of its own real estate assets.

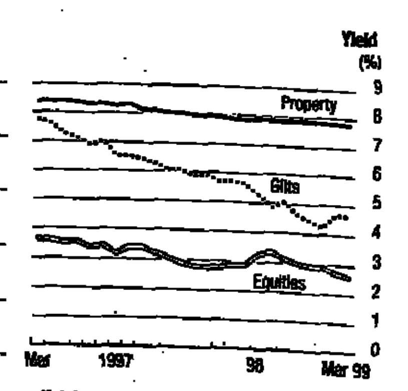
John Mason, director of estates at DSS, says: "This is a strategic decision. It is not just an interesting little property deal."

But ultimately, Mr Berquist says, this is a decision that must be made by boards. Simply selling assets to investors and occupying them under long-term leases misses the point; the corporation has more capital but even less flexibility.

"What we tell people is that you have to align your real estate strategy with your corporate strategy," he says.

IPD UK monthly index for February 1999





Total returns to end February 1999

	Retail	Office	Industrial	All property
Last mth	0.7	0.8	0.9	0.7
Last 3 mths	1.9	2.4	2.3	2.1
Last 6 mths	3.3	4.2	4.8	3.9

Better signs

- Property values shrugged off the effects of the 0.5 percentage point rise in stamp duty in March, which should have had an equivalent effect on yields. In the event, yields only rose 0.2 per cent, suggesting that underlying capital values actually rose.
- Further evidence of improving markets lies in returns, which are higher throughout the first quarter in all three property asset classes than in the fourth quarter of 1998.
- Retails have seen the strongest signs of improved rental value growth with the rate in March the best since last summer.

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RESTRUCTURING US CONGLOMERATE TO MAKE AUTOMOTIVE PARTS AND PACKAGING ARMS INDEPENDENT COMPANIES

Tenneco spin-offs complete break-up

By Nikki Tait

In a final "break-up" move, Tenneco, the once-sprawling conglomerate, announced that it planned to spin off its automotive parts and packaging businesses as two independent companies.

The action, which was widely expected, was first indicated last July when the company announced it was considering "a broad range of strategic alternatives" – including a separation of its two remaining businesses – in an effort to address a lacklustre share price and increase shareholder value.

Since then, there has been speculation that Tenneco might choose an outright sale of the automotive arm, and various potential buyers were mooted. However, in recent weeks, it became increasingly clear that an attractive deal was not in the offing.

Dana Mead, Tenneco chairman, said yesterday that he believed the separation would "generate the greatest short- and long-term value".

The deal will in effect complete a six-year break-up process. During that time, Tenneco has spun off the Case tractor and construction equipment business; Newport News Shipbuilding; Tenneco Energy; and Albright & Wilson Chemical – one of the most comprehensive dismemberments of a conglomerate ever undertaken.

The final break-up of the remaining automotive and packaging arms will be formally effected through a spin-off of the packaging arm to existing Tenneco shareholders.

The automotive business will have annual sales of about $3.2bn, about 27,500 employees, and encompass both the original equipment supply business and the aftermarket business, which has been problematic recently, but returned to profits in the first quarter of 1999.

Some of its better-known brand names include Walker exhaust products and Monroe ride control systems. However, Tenneco said yesterday it would probably carry a debt rating which is non-investment grade.

The packaging unit, meanwhile, will have annual sales of about $3bn, and include the range of speciality products, from industrial stretch wrap to the Hefty and One-Zip consumer brands.

Its debt rating is likely to be investment grade. Employees currently number about 15,700.

It will also own the 45 per cent stake in Tenneco's former containerboard business, Packaging Corporation of America, which Tenneco had already announced would be separated from the remaining group.


Dana Mead: believes separation will generate the greatest short- and long-term value AP

Both the car and packaging companies will be based in the Chicago suburbs, where they have their divisional headquarters, and Tenneco's already-sold headquarters building in Greenwich, Connecticut, will close.

Mr Mead said he would clarify his ongoing role in about a month – but indicated that he was likely to maintain some lesser involvement with the businesses.

Confirmation of the spin-off plan came as Tenneco announced a fall in first-quarter profits from continuing operations from $75m to $45m. Sales were $1.65bn, against $1.8bn.

Tenneco shares rose $¼ to $28⅞, but are still down on their 52-week high of $47.

Strong growth in credit card revenues

By John Authers in New York

US credit cards have shown startling growth in revenues in the past few months, as heavy consumer spending in the US has combined with low credit losses.

Shares in two specialist credit card lenders – Providian Financial, which has $14.3bn in managed loans, and Capital One Financial, with $17.4bn – have made spectacular returns so far this year. Both companies doubled their share price during 1998, and in trading yesterday Providian was up more than 75 per cent and Capital One was up more than 50 per cent for 1999.

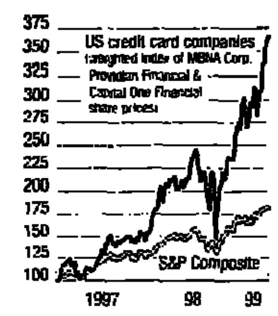
Both use sophisticated database mining techniques to target individual consumers with specific offers: relatively wealthy customers might be offered air miles while others could be offered a low interest rate.

The companies have also reinforced their position by levying fees for late payment, and gaining more income from fees rather than interest. Economic conditions have helped. According to Standard & Poor's monthly index of credit card quality, the proportion of credit card debts written off last month was 6 per cent. A year ago it stood at 6.7 per cent, and two years ago it was 6.9 per cent. These figures are still higher than normal for periods of economic strength, mainly because of the rise in personal bankruptcies.

The improving credit picture has helped more broadly based banks as well as the specialists. Citigroup and Bank One, the two largest US credit card issuers, both raised their total revenues significantly during the first quarter, bucking the trend for the rest of the banking sector. Despite having large portfolios, both also had a better credit quality than the industry as a whole.

Citigroup raised core income from cards by 75 per cent to $268m. Revenues increased 40 per cent, thanks to pricing increases and a 48 per cent growth in total receivables to $69bn, boosted by the acquisition of AT&T's credit card portfolio last year. Its charge-off rate, often worse than the industry in the past, improved to only 4.72 per cent.

US credit card companies
Share prices and index (rebased)



Source: Datastream/ICV

Bank One, which has a slightly larger credit card business within the US, increased its managed credit card loans by 18 per cent over the year to $69.1bn. Credit card fees grew 13 per cent to $347m. Its credit card charge-off rate fell to 4.34 per cent, well down on last time's 5.41 per cent.

Valuations remain more of a problem. Capital One now trades at a multiple of about 33 times estimated earnings for 1999, while Providian trades at 38 – both comfortably in excess of the average multiple for S&P 500 companies, which is about 28.5.

Derek Sword, who covers the credit card industry for the Keefe Bruyette & Woods brokerage in New York, says: "Their growth rates are in line with their price-earnings multiples. Providian is forecasting 35 per cent growth for 1999.

"Credit cards are growing faster than any other area of financial services, and you have to value these companies by their inherent growth rates, not by comparing against financial services stocks or the market."

Ford cancels Brazil factory

By Geoff Dyer in São Paulo

Ford Motor Company, the world's second largest carmaker, has cancelled plans to build a new $1bn factory in the Brazilian state of Rio Grande do Sul following a dispute with the state government over incentives.

Ford, which is losing money on its Brazilian operations, said it still intended to build a new facility in Brazil and was looking for another location.

The company has been involved in a dispute since March with the state government, won by a left-wing opposition party in last year's elections, after the state withdrew around $260m in subsidies that had been promised to Ford and General Motors, which is also building a plant in the state.

The generous incentives for Ford and GM were part of an on-going battle between Brazil's state governments to attract large investments to their regions. Already a number of states have expressed interest in trying to attract the new Ford plant.

Ford's decision to cancel the plant, which was to have employed 1,500 people in the town of Guaiba, comes at a time when heavy investment by most of the world's largest carmakers has created significant over-capacity in the Brazilian market.

GM, which has already started construction of its plant in Rio Grande do Sul, is still negotiating with the government over subsidies.

Hicks Muse in soccer deal

By Geoff Dyer

Hicks Muse Tate & Furst has signed a contract to manage the business activities of Corinthians, one of Brazil's biggest soccer clubs, in a deal that involves the US private equity group investing about R$100m (US$59m) over the first year, writes Geoff Dyer.

Hicks Muse will run the merchandising, television rights, ticket sales and sponsorship for the São Paulo team, which has an estimated 17m supporters in Brazil.

The company is to also build and operate a new stadium.

Officials at Corinthians, the current national league champions, said the contract was for 10 years.

CBS reverses fortunes with unexpected profit

By Christopher Parkes in Los Angeles

The reversal of fortunes at the CBS broadcast television network is in full swing, Mel Karmazin, chairman, said yesterday.

Reporting a first-quarter group profit instead of the loss expected by most Wall Street analysts, he said the network was well-placed to capture its biggest share of the US viewing audience since the 1993-94 season.

The CBS group, which includes television stations, cable networks, an 82 per cent stake in Infinity Broadcasting and a clutch of internet holdings, earned $25m, or 4 cents a share, from continuing operations – a third more than last time. Including a $366m gain from disposals, profits were $387m, or 55 cents a diluted share.

Revenue fell more than 9 per cent from $1.95bn to $1.77bn. However, last year's total was inflated by advertising sales associated with Winter Olympics broadcasts. Excluding that boost, revenues for the latest quarter increased 18 per cent.

Operating cash flow, the popular measure of progress for media groups with heavy debts, improved 3.3 per cent to $280m, or 55 per cent excluding the Olympics effect.

The company said the improvement was due to a 51 per cent advance at Infinity, where cash flow rose an adjusted 25 per cent.

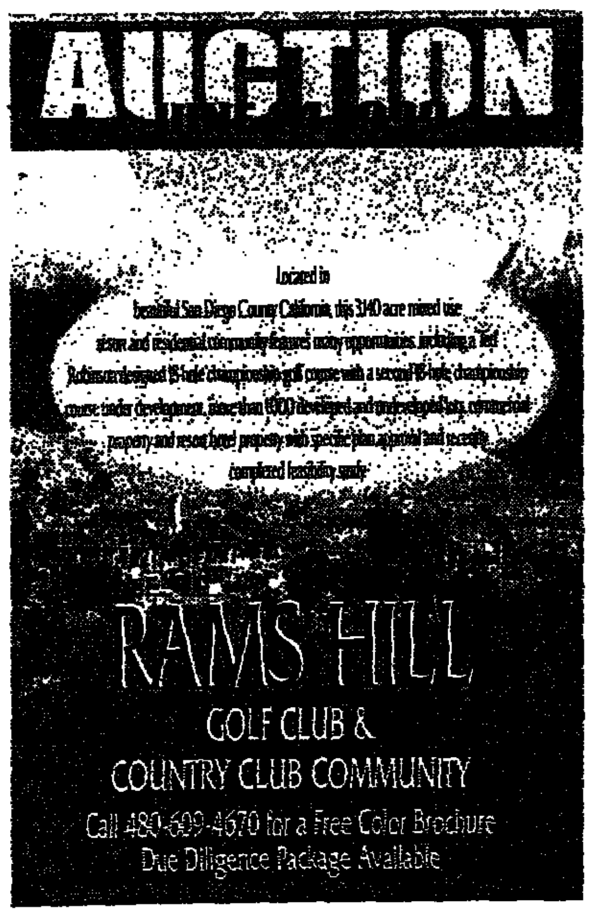
Results were helped by a reduction in interest payments from $75m to $51m on debts of about $4bn, which had been cut by the proceeds from its sale to the public last December of a 17 per cent stake in Infinity.

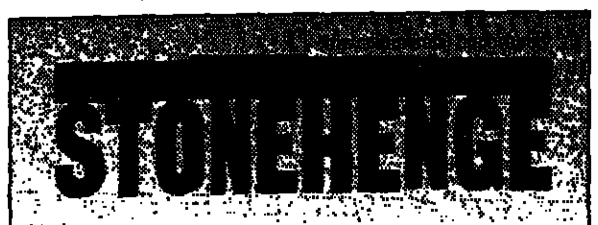
CBS said yesterday it had agreed to pay $160m in cash for a TV station in Austin, Texas, the second fastest-growing market in the US.

The purchase will give CBS 14 owned and operated stations and 34 per cent coverage of the national audience, and brings the group to within one percentage point of the permitted limit.

While federal regulators have indicated they are willing to ease station ownership controls, and Mr Karmazin is a leading lobbyist for change, most of CBS's recent acquisitions have been in the internet sector.

PROPERTY MARKET





GERMANY SALES AND PROFITS AT BASF AND HOECHST FALL BECAUSE OF GLOBAL PRICE PRESSURES

Chemicals groups hit by oversupply

By Uta Harnischfeger in Frankfurt

First-quarter earnings from BASF and Hoechst yesterday confirmed that Europe's pharmaceutical and chemical makers face a rough ride, with chemical activities still badly hit by global oversupply and price pressures.

Both companies reported declining sales and profits in the period, with Hoechst showing slightly more resilience as it countered the fall in chemicals with improved results at its pharmaceuticals unit, Hoechst Marion Roussel.

BASF and Hoechst's earnings figures mostly came in below analysts' expectations. BASF's first-quarter sales were down 8.2 per cent to €6.8bn ($7.23bn) from €7.4bn, while operating profit fell 16.5 per cent from €684m to €571m. Hoechst, meanwhile, reported a 9 per cent drop in its sales down to €4.2bn from €4.6bn.

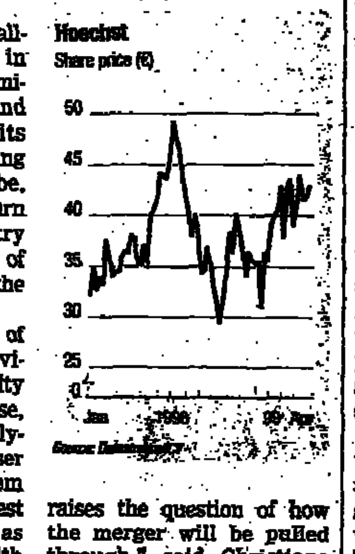
Pre-tax profit fell 57 per cent to €158m from €305m, mainly due to the absence of income from divestments. In 1998, Hoechst's pre-tax profit was boosted by DM1.3bn (€665m, $707m) from divestments.

For the full year, Hoechst said that operating profit would remain flat, with a double-digit growth in its life science business expected to balance out declines in industrial activities. Although analysts are hopeful about HMR, they were disappointed about declining first-quarter sales in Hoechst's other life science divisions, AgrEvo – which fared badly in the US – and Hoechst Roussel Vet.

BASF is also centring its hopes on a turnround in the chemicals sector and growth in its pharmaceuticals business, with which it plans to counter future cyclical downturns. While BASF's pharmaceuticals activities are still in the investment phase and have so far contributed little to profit, analysts expect them to achieve a breakthrough next year.

BASF, which has the strongest exposure to base chemicals among Germany's big three chemical makers, was particularly hurt by falling gas and oil prices in Europe and declining chemical margins in Asia and North America. At its annual shareholders meeting yesterday, Jürgen Strube, chairman, said the downturn in the chemicals industry has reached the bottom of the cycle and was seeing the first signs of recovery.

The poor performance of Hoechst's industrial activities, principally its specialty chemicals business Celanese, as well as technical polymers Ticona and its Messer unit, is posing a problem since Hoechst plans to divest its industrial activities as part of its merger plans with France's Rhône-Poulenc. "This is worrisome since it raises the question of how the merger will be pulled through," said Christiane Dienhart at HypoVereinsbank in Munich.



France Telecom may end Bonn ties

By Ralph Atkins in Bonn

Deutsche Telekom, the Bonn-based telecoms giant, last night expressed regret at clear indications that France Telecom, its international partner, is drawing up plans to sell its 2 per cent stake in the German former state monopolist.

France Telecom said it would dispose of its stake, acquired last July, if Deutsche Telekom succeeded with its plans to merge with Telecom Italia of Italy.

The possible German-Italian alliance has incensed the French group. It described it as an "explicit violation" of its agreement with Deutsche Telekom.

In an interview with Le Monde, the French newspaper, Michel Bon, France Telecom chairman, said the French group intended to defend its interests and signalled it could move back into the German market. Deutsche Telekom said it regretted the "escalation" of the dispute.

The breaking up of its links with France Telecom would be a serious setback for Deutsche Telekom, which has argued its merger with Telecom Italia would strengthen its other international alliances.

A rift between Bonn and Paris would heighten speculation over the future of Global One, an international joint venture between France Telecom, Deutsche Telekom and Sprint of the US.

It was unclear last night whether Deutsche Telekom would sell the 2 per cent stake it holds in France Telecom.

At the time of last July's share-swap, Mr Bon said the two companies wanted "to converge as quickly as possible our developments on European markets, invest several billion euros a year there together and build a real pan-European operator."

SWEDEN LEADING LENDER SEES PRESSURE ON RETAIL SIDE

Growth in merchant banking helps SEB

By Tim Burt in Stockholm

SEB, one of Sweden's leading lenders, yesterday reported a modest underlying increase in first-quarter profits as strong growth in merchant banking offset margin pressure on the retail side.

The bank, formerly Skandinaviska Enskilda Banken, said operating profits rose from SKr1.52bn ($181m) to SKr1.63bn in the first three months of the year on total income down from SKr6.07bn to SKr5.54bn.

However, pre-tax profits fell 29 per cent to SKr2.04bn from SKr2.85bn. But the bank said those figures were distorted by the absence of 1998 contributions from its Trygg-Hansa share portfolio.

On a comparable basis, net interest earnings rose by 5 per cent to SKr1.8bn and net commission income grew by 13 per cent to SKr1.81bn.

Nevertheless, SEB admitted its profits from retail distribution had fallen due to lower interest rates and intense competition. Profits in that division fell from SKr318m to SKr250m.

That was offset by a strong quarter in merchant banking, contributing SKr864m, up from SKr604m last time. While profits were flat or down slightly in asset management, pensions and financial services, the bank said it had continued to take market share from rivals.

Earnings per share, including one-off items, fell from SKr3.34 to SKr2.51.

SEB's mixed performance contrasted with a 30 per cent rise in profits at Den norske Bank, Norway's largest lender. The bank, which last month announced a merger with state-owned Postbanken, posted operating profits up from NKr596m to NKr774m ($99m).

It predicted that more restructuring and healthy economic growth would lead to a further improvement this year. "First-quarter profits are healthy and income shows more rapid growth than expenses. However, we have more ambitious goals, and strict cost control is required," said Svein Aaser, DnB chief executive.

Once DnB has merged with Postbanken, Norway's fourth biggest lender, the enlarged bank is expected to have 21 per cent of Norway's private customers and around 15 per cent of the business market. Net interest income at DnB rose by NKr121m to NKr1.12bn. Earnings per share rose from NKr0.69 to NKr0.94.

● Skandia, Sweden's largest insurer, reported a sharp fall in operating profits from SKr2.84bn to SKr1.25bn in the first quarter on total sales up from SKr15.5bn to SKr27.3bn.

The downturn was due mostly to the impact of stock market turmoil and falling asset income in property and casualty insurance.

SAirGroup takes Panalpina stake

By William Hall in Zurich

SAirGroup, parent of Swissair, is taking a 10 per cent stake in Panalpina, Europe's biggest airfreight broker, and setting up the first fully integrated door-to-door air cargo operation with annual revenues of SFr800m ($528m) a year.

SAirGroup's decision to buy a stake in the private Swiss group, and inject its marginally profitable Jacky Maeder air freight forwarding business into the new venture is the latest sign of consolidation in Europe's freight forwarding industry where margins are under considerable pressure.

SAirGroup's SAirLogistics and Panalpina will found SwissGlobalCargo, which they claim will be the first air cargo company to provide fully integrated door-to-door airfreight services with time guarantees and no weight restrictions. It will also focus on the courier, express and parcels sector. Panalpina will own 55 per cent of the joint venture and provide the chief executive, and SAirLogistics will own 45 per cent. The new company plans to generate SFr1bn of revenues within three years.

Panalpina is SAirLogistics biggest customer and Philippe Bruggisser, SAirGroup chief executive, said that taking a 10 per cent stake in Panalpina underlined his belief that the partnership "may extend far further and deeper than SwissGlobalCargo alone". SAirLogistics earned SFr33m before interest and tax on SFr1.3bn of revenues in 1998 and has been hit by a rapid decline in rates following the Asian crisis. Panalpina increased its operating profits by 17 per cent, to SFr98.4m, on marginally lower revenues of SFr4.1bn in 1998.

A study by Boeing says the air cargo market is set to grow from 130bn tonnes kilometres a year to 450bn tonnes kilometres over the next 15 years. The share of fully integrated service providers is set to rise from 4 per cent to 30 per cent.

NEWS DIGEST

BANKING

LVMH surprise bidder for stake in Crédit Lyonnais

LVMH, the luxury goods group chaired by Bernard Arnault, was the surprise inclusion on the list of bidders for a core shareholding in Crédit Lyonnais, the soon-to-be-privatised French bank. There were 10 bids on the list, published yesterday, with the rest coming from financial institutions. LVMH made no comment on why it submitted a bid, but it has a longstanding banking relationship with Lyonnais. The full list is: AGF, Axa, Banca Intesa, Banco Bilbao Vizcaya, Banques Populaires, Crédit Agricole, Commerzbank, Crédit Commercial de France, LVMH and Paribas. Core shareholders are to be offered up to a third of Lyonnais' capital after participating in an FFr8bn (€1.2bn, $1.3bn) capital increase. Each investor will be limited to a maximum stake of 10 per cent. The state will retain just under 10 per cent. Pre-selection of shareholder partners will take place before the end of May. **David Owen, Paris**

AIRLINES

Lufthansa weak in first quarter

Lufthansa's weak first-quarter earnings and a moderately pessimistic outlook for the full year yesterday were proof of the continued downward pressures on price margins in the industry. Contrary to analysts' expectations, the German flag carrier said yesterday that it would not be able to reach last year's profit levels. For the first quarter, Lufthansa reported a 4.7 per cent rise in turnover to DM5.2bn (€2.6bn, $2.8bn) from DM5bn and said that operating profit fell 61.1 per cent to DM63m from DM162m last year. Despite an 8.3 per cent rise in capacity sold, the international price pressures caused by overcapacities have led to further declines in margins. Peter Schilling, analyst at Delbrueck, said it was widely known that 1999 would be a tough year. But he expected price pressures to ease in 2000 and 2001. Separately, Lufthansa said yesterday that it signed a $1.6bn purchase order for 60 Fairchild/Dornier 728 jets and secured options for a further 60. Deliveries are scheduled to start in 2002. **Uta Harnischfeger, Frankfurt**

COMPUTER PRODUCTS

Surge in Logitech sales

Logitech, the world's biggest manufacturer of computer mice, has signalled its re-emergence as a computer peripheral growth stock with a 62 per cent jump in fourth-quarter sales, to $139.6m. This follows a 46 per cent jump in third-quarter sales reflecting the launch of several new products for Christmas. In the first half of its last financial year Logitech posted a $2.4m operating loss after a 14 per cent drop in sales to $162m. However, Guerrino de Luca, an ex-Apple executive who took over as chief executive last year, has backed up Logitech's strength in computer mice with new retail products, such as cordless keyboards and entertainment devices, in an attempt to restore the company's image as a growth stock. The group's full-year operating profits slipped 1 per cent, to $16.2m on a 15 per cent rise in sales. **William Hall, Zurich**

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FOREST PRODUCTS NEED FOR SECTOR CONSOLIDATION HIGHLIGHTED BY DOWNWARD PRESSURE ON PRICES AND LOWER PROFITS

Paper groups suffer from weak demand

By Nicholas George in Stockholm

Three of Europe's largest forest product companies reported falls in first-quarter profits yesterday, underlining the weakness in demand for paper products and the downward pressure on prices at the start of the year.

UPM-Kymmene and Metsä-Serla of Finland, and Assi-Domän of Sweden all reported lower volumes and prices in most product areas, with European demand below last year's levels.

However recent rises in the price of pulp, the base material for most paper products, has raised hopes of selective price rises, the companies said.

The lack of price stability again highlighted the need for consolidation in the sector with industry leaders and analysts welcoming Wednesday's announcement that MoDo and SCA of Sweden were to merge their fine paper operations in a new joint venture to be called MoDo Paper.

The fine paper market is notoriously fragmented, leading to large swings in prices at a time when European producers are under threat from low cost producers in Asia, more of which are expected to come on stream in the next few years.

Juha Niemelä, UPM chief executive, said: "I would expect the process to continue as low profitability is compelling companies to do something," he said.

UPM-Kymmene reported a pre-tax profit in the three months to March 31 of €241m ($256m) compared with €322m a year earlier on sales of €1.92bn compared with €2.13bn.

It said that in Europe demand for paper products was expected to show only a small increase this year but with pulp markets moving back into balance there was the prospect for raising paper prices in some markets.

The company said it was preparing to list its shares on the New York stock exchange.

AssiDomän also blamed weak demand and lower prices for a fall in first-quarter pre-tax profits, down to €20.6m from €48.1m on sales of €670m compared with €604m.

The company said that in the rest of the year demand for products from its main divisions, packaging materials and packaging, was expected to strengthen. Price competition however would remain strong in some product segments.

MetsäSerla's first-quarter profits fell to €59.6m from €95.7m on sales of €1.0bn versus €939m. The company warned that full-year results were likely to be considerably below last year's levels.

"In order to fight against the deterioration of prices we still have to refuse low priced orders and to continue to take downtime in both paper and paperboard production," the company said.

Mannesmann struggles to remain flavour of the month

German group's strategy depends on Deutsche Telekom plan to merge with Telecom Italia, writes **Ralph Atkins**

A month is a long time in German telecommunications. At the start of April, Düsseldorf-based Mannesmann was celebrating a coup with the DM2.25bn (€1.15bn, $1.22bn) purchase of the o.tel.o fixed-line business, which added 1,000 corporate and 400,000 private customers to its already humming network.

With some justification, Mannesmann toasted its pre-eminence among the new rivals to Deutsche Telekom, the Bonn-based telecoms giant, including the RWE and Veba energy conglomerates from which it bought o.tel.o.

"We're clearly the number one challenger to Deutsche Telekom in Germany," said Lars Berg, the newly-appointed head of the group's telecoms activities.

Then Deutsche Telekom announced plans to join forces with Telecom Italia to form the world's second largest telecoms company and take it into a different league.

Mannesmann was no longer the hottest story in town. The question facing Mannesmann now is: just how bad is the impact?

Attention is focused on Italy where the prospective Deutsche Telekom/Telecom Italia deal – if it succeeds – could seriously set back Mannesmann's expansion.

It is supporting the hostile takeover bid for Telecom Italia by Olivetti, the Italian telecoms group. The plan is for Olivetti, if it wins, to sell to Mannesmann for DM14.9bn its stakes in Omnitel and Infostrada, the mobile and fixed-line telecoms businesses, taking Mannesmann's holdings to 55 per cent and 100 per cent respectively.

Now, Deutsche Telekom's role as "white knight" is threatening to scupper the deal. Failure to secure Omnitel and Infostrada would be the biggest set-back to Mannesmann since it first pushed into telecoms as an alternative to its traditional steel pipes and engineering business.

Klaus Esser, chairman designate, has issued a blunt warning to the German government – which still owns 72 per cent of Deutsche Telekom – that Mannesmann's interests could be violated.

But Deutsche Telekom's intrusion is unlikely to upset for long Mannesmann's ambition to become one of Europe's leading telecoms groups.

The company has something of a golden touch in the sector. Its D2 mobile network, Germany's largest, achieved pre-tax earnings of €1.3bn last year – almost entirely accounting for the group's overall result of €1.4bn. In the fixed line sector, Mannesmann has judged carefully the evolution of the market since its full liberalisation last year.

Initially Mannesmann Arcor, its loss-making fixed line business, focused on giving customers access to its low cost services on a call-by-call basis, without pre-registering. Now Deutsche Telekom has cut its prices dramatically in response and Mannesmann is looking to become a wide-ranging service provider, including the internet among its services.

That is why the extra capacity and customers offered by o.tel.o were important. Mr Esser wants to push into new media markets, including electronic commerce.

Italy is not the only expansion opportunity. Mannesmann could join forces with a smaller, German city telecoms carrier with a local network.

It is also interested in One-2-One, the UK's fourth mobile network. Plans for a capital increase, to raise perhaps €2.5bn, are in hand.

Mannesmann's shares have slipped almost 10 per cent since mid-April, largely because of the expected capital increase. But in the past two years, Mannesmann has generally wooed stock markets with the success of its telecoms operations and with endless restructuring of the non-telecoms businesses which last year accounted for 75 per cent of turnover – but less than 30 per cent of its profits.

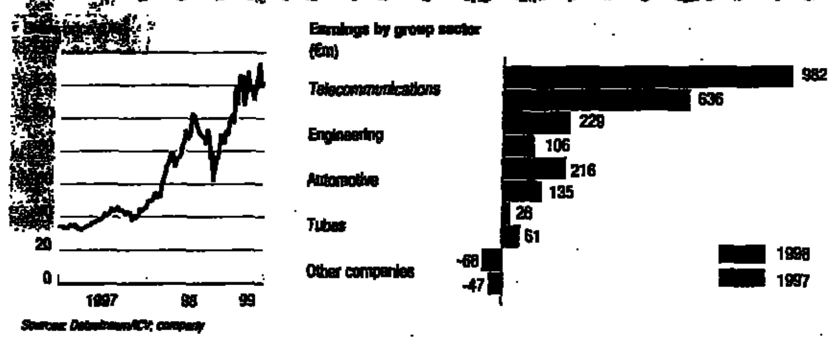
Against that background, developments in the Italian telecoms market do not look so bleak. There are at least two possible scenarios. First, Olivetti could succeed in its bid for Telecom Italia, particularly if Rome's resistance to Deutsche Telekom's approach remains. Then Mannesmann would increase its stakes in Omnitel and Infostrada as planned – and Deutsche Telekom would retire chastened. But Mannesmann would face a worthy competitor in Italy as Olivetti turned from friend to foe.

Second, Deutsche Telekom could succeed in its plan to merge with Telecom Italia. Mannesmann would then have to rethink its strategy. But the two former state monopolies would be pre-occupied with their merger – rather than fighting domestic competitors.

Mannesmann, moreover, would remain in partnership with Olivetti. In that case, Mannesmann might even seek closer links with Olivetti, creating a second giant German-Italian telecoms group. Mannesmann would really be hitting back.

Olivetti set to launch formal bid

Olivetti will today formally launch its hostile €60.4bn ($64bn) bid for Telecom Italia as the latter intensified efforts to bring its proposed merger with Deutsche Telekom closer to reality, **writes Vincent Boland.** Roberto Colaninno, Olivetti chief executive, yesterday urged Telecom Italia shareholders to accept his company's tender offer, which values each share at €11.50 through a mixture of cash, equity and debt. Franco Bernabe, Telecom Italia chief executive, and Ron Sommer, his counterpart at Deutsche Telekom, were due to meet Italian government officials and Salvatore Cardinale, telecommunications minister, last night to try to overcome Italian opposition to their merger proposal.



Sources: Datastream/ICV; company

Carlton in bid for Spanish pay TV

By Patrick Harverson and David White in Madrid

Carlton Communications is joining a Spanish consortium bidding for a digital terrestrial television licence in Spain in the first of what is expected to be several forays by the UK media group into the continental European pay-TV market.

Carlton helped introduce digital terrestrial TV in the UK as a co-owner of On Digital and it hopes to do the same in Spain and other leading European countries.

The consortium that Carlton has joined is led by Retevisión, the Spanish telephone company. It will submit its bid to the Spanish government today.

Retevisión counts on the powerful backing of Telecom Italia and Endesa, Spain's biggest electrical utility, and is seen as the prime candidate for the country's first licence for digital terrestrial TV.

Existing TV operators in Spain are excluded from the contest, which the government opened in January with the aim of reaching a decision by the end of June.

The exclusion rules out bids from companies that are already key shareholders in Spanish TV stations. These include the German Kirch group, France's Canal Plus, Italy's Silvio Berlusconi and Telefónica, Retevisión's Spanish telecommunications rival.

The new venture will add further rivalry to the competition between Spain's two satellite digital TV companies – Canal Satélite Digital, backed by Canal Plus's Spanish affiliate and the Prisa publishing group, and Vía Digital, controlled by Telefónica. Pearson of the UK, publisher of the Financial Times, holds 10 per cent of Vía Digital through its Spanish subsidiary Recoletos.

The terrestrial digital licence will cover up to 14 channels, with a minimum 32 hours a week of open-access broadcasts.

Apart from Carlton and Media Park, a production company based in Catalonia, the Planeta publishing group has been named as another potential member of the consortium.

Spain has 2.5m homes that subscribe to either cable or satellite pay TV, representing about 20 per cent of the market.

BCI 'name to stay'

By Paul Betts in Milan

UniCredito Italiano yesterday agreed to retain the name of Banca Commerciale Italiana-BCI for the new bank formed by its proposed merger with its large Milan commercial banking rival.

The UniCredito board decision was widely seen as a further attempt to secure BCI board approval for its share exchange merger offer.

It follows Wednesday's stormy BCI shareholders meeting when deep splits emerged within the bank over the proposed merger.

BCI's board said it would continue to study the UniCredito proposal as well as an alternative advance from Banca Intesa, the other large Milan banking group. BCI's board is expected to take a final decision on May 14.

However, tensions are expected to remain high between BCI shareholders close to Mediobanca, the Milan investment bank, opposed to the UniCredito deal, and shareholders favouring the UniCredito merger. Mediobanca supports Banca Intesa as an alternative to UniCredito.

● The Bank of Italy has launched a price-fixing probe into 13 leading banks the country's antitrust competition authority said, Reuters reports. During an investigation at one bank, Cariplo, the central bank found documents referring to "The Group of Banking Friends", the antitrust authority said.

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TELECOMMUNICATIONS SOUTH KOREAN FIXED-LINE TELEPHONE OPERATOR CRUCIAL TO AMBITIONS OF BOTH CONGLOMERATES

LG, Samsung in takeover fight for Dacom

By John Burton in Seoul

Dacom, a leading South Korean telephone operator and internet provider, yesterday became the target of a takeover battle between LG and Samsung, two of the nation's biggest electronics groups.

The share price of Dacom rose by nearly 15 per cent to close at Won109,000 after Samsung increased its stake in Dacom to block a takeover bid by LG. Dacom is the smaller of Korea's two fixed-line telephone companies after state-run Korea Telecom.

Dacom is considered crucial to the ambitions of both conglomerates, or *chaebol*, to expand their telecoms and information businesses.

LG this week confirmed its intention to buy Dacom after selling its memory chip unit to Hyundai. As part of the $2.1bn chip deal, Hyundai agreed to transfer its 5.25 per cent stake in Dacom to LG.

Samsung responded immediately by raising its equity stake in Dacom to 20.6 per cent, after buying an additional 2.75 per cent stake from the Daewoo group, which is selling assets to reduce large debts. Samsung is Dacom's single largest shareholder.

LG directly owns less than 5 per cent of Dacom, but with Hyundai's shares and those of friendly stockholders, LG said it controlled about 40 per cent.

LG would be likely to win the takeover battle if it was able to secure a 16.7 per cent stake held by Tongyang Group.

Analysts say LG might call on British Telecommunications as a potential foreign parter in its bid to control Dacom. BT last year bought a 23.5 per cent stake in LG Telecom, its personal communications network.

LG has long had ambitions to acquire Dacom, but it agreed in 1996 to limit its holding to 5 per cent in return for a government licence to operate LG Telecom.

The government imposed the Dacom shareholding limit on LG because of worries about LG's dominance in the telecoms service sector.

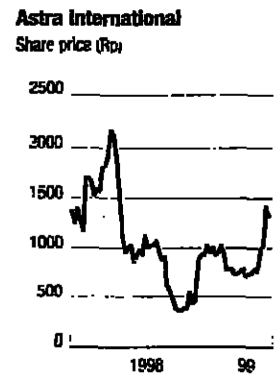
But officials appear ready to abolish the limit because of LG's co-operation in selling LG Semicon to Hyundai in a state-sponsored merger to reduce overcapacity in main industrial sectors.

LG has also expressed interest in acquiring Hanaro Telecom, a local telephone operator, and Onse Telecom, Korea's third international long-distance operator.

The combination of these telecoms operators with Dacom would consolidate the fragmented telecoms service market and make LG a significant competitor to Korea Telecom, while providing business for LG's telecoms equipment unit.

Astra upbeat about debt restructuring

By Sander Thoenes in Jakarta



Astra International, the Indonesian car maker, yesterday said it was assured of gaining creditor approval for restructuring $1.15bn of debt, despite a failure to reach a quorum for holders of its dollar bonds.

The news sent Astra's shares down 6.8 per cent. But after trading had ended, the company announced it had already obtained approval from bank creditors, holders of rupiah bonds and other non-bank creditors representing 63.96 per cent of Astra's debt.

This is just short of a simple majority of creditors holding two-thirds of its debt to get its restructuring proposal approved in a commercial court, which would make it binding for all creditors.

Bank creditors had handed in their votes by Wednesday and rupiah bond holders met in Jakarta yesterday, but holders of $450m in dollar bonds failed to reach a quorum in Singapore yesterday.

Rini Soewandi, Astra president, said the quorum for 75 per cent could not be met as the dollar bonds were actively traded, making the holders hard to pin down.

The quorum in the second meeting, scheduled for May 14, will be much lower, 25 per cent.

Ms Soewandi said the remaining bank creditors could still send in their vote as well, leaving some time for finalising the agreement by the end of June, as planned.

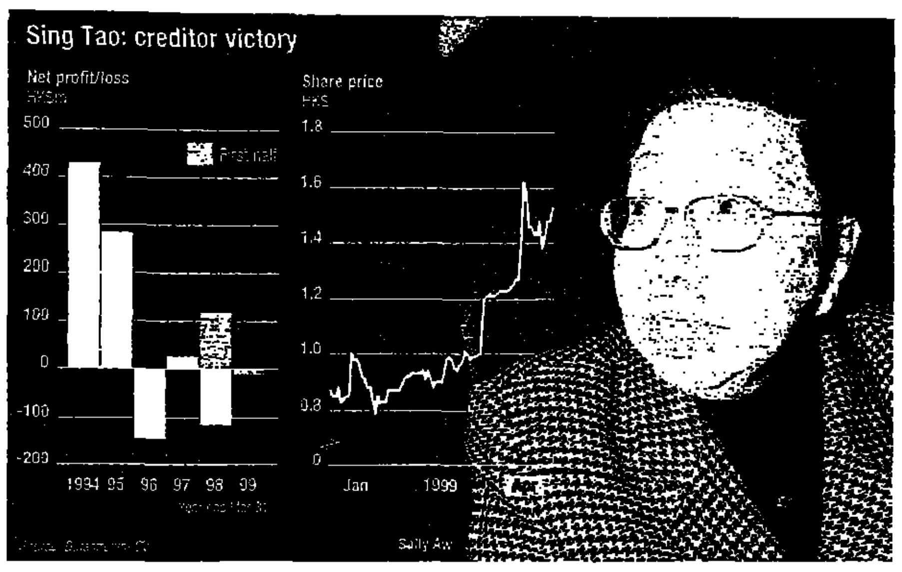
"We will definitely reach more than 70 per cent creditor approval," she added.

Astra proposed to split its debt into three tranches, with payment periods of three to 7½ years and a detachable warrant equalling 10 per cent of Astra's shares accompanying the last set of payments.

Some $705.4m and Rp701.7bn ($82.4m) of the total would fall in the second tranche, falling due in 6.5 years with interest starting at the end of the fourth year.

Winners and losers among the petit fours

It is the start of a new era for Sally Aw's publishing group, writes **Louise Lucas**



It was not the victory a clutch of aggrieved minority shareholders had hoped for. Ownership of Sing Tao, one of Hong Kong's oldest publishing groups, yesterday passed to the Asian arm of the blue-blooded Lazard group with barely a murmur.

The battle for control of Sing Tao had promised to be lively, complete with jilted suitors and agitation over the generous terms being offered to Sally Aw, chairman, whose 50.04 per cent stake now passes to Lazard Asia. But there was no brawling under the chandeliers. Minority shareholders seemed more interested in the bean paste petit fours, and drifted in and out of the special general meeting to partake of Sing Tao's hospitality. They will now be offered the option of selling their shares – which closed yesterday at HK$1.53 – to Lazard Asia for HK$1.25.

Other victors emerged – Sing Tao's creditors. Charles Ho, a tobacco tycoon who is owed HK$295m (US$38m) by Sally Aw, will recoup some HK$230m of that under the Lazard deal.

Mr Ho professed himself "very happy" at the result of yesterday's meeting. Shareholders voted overwhelmingly in favour of the conditions, which give Miss Aw a HK$9m a year consultancy fee and HK$58m loan, and pave the way for Lazard Asia to mount a general offer.

Under the terms of the deal, part of Miss Aw's proceeds will go directly to Mr Ho, who in turn will drop bankruptcy proceedings against her.

"*Hong Kong has not faced* a lot of situations where creditors of controlling shareholders [work out] how they deal with them. I think there will be a more frequent occurrence of this in the next few months. It is a question of creditors becoming conscious of what they can do," said Lawrence Lee, chairman of Baker & McKenzie in Hong Kong, which is acting for Mr Ho.

Asia has many creditors who must hope he is right. So far, their options have been limited and lenders have responded by withdrawing from the region. The latest blow came from southern China, where creditors of the collapsed Guangdong International Trust & Investment Corp, a provincial government investment agency, now expect to recoup just a fraction of their loans.

The greater the number of creditors – as in the case of Gitic – the harder it is to find a solution. Hong Kong is beginning to explore ways of treating debt, using overseas models as a guide. In some cases creditors are buying more debt in order to give themselves more leverage. A newer development is to invest in distressed assets, buying debt at 10 cents in the dollar and working out a solution to increase the payout to 20 cents or more.

Chris Barlow, head of financial advisory at PwC, says the secondary debt market in Hong Kong is still immature but there is a determination to develop it.

"I would expect Peregrine [the collapsed pan-Asian investment bank] and some of the larger workouts like Gitic to be traded over time," he says.

"Some banks simply need to get out, and if people are prepared to buy on a speculative basis that gives another option – and gives the banks liquidity."

Yesterday's meeting marked a small victory for creditors, but it disappointed others. Spurned suitors had bought up shares in the market; a complaint for breach of contract was filed with the Hong Kong authorities; and an open letter signed "Sequoia Trust" urged minority shareholders to scupper the deal.

Sequoia Trust criticised the deal as overly generous to Miss Aw and not generous enough to minority shareholders. Quoting the offer document, it said the net asset value at February 28 was HK$2.71, sharply higher than the HK$1.25 being offered by Lazard Asia.

However, the offer is not compulsory, and Lazard Asia plans to retain Sing Tao's public listing.

Lazard Asia aims to divest Sing Tao of non-core businesses, rebuild the newspaper business and expand the commercial printing.

Patrick Cheung, chief executive of Lazard Asia, said the deal "marks the beginning of a new era for Sing Tao".

He gave credit to Miss Aw, who inherited Sing Tao – part of a sprawling empire founded on Tiger Balm, a menthol cure-all – from her father.

However, Miss Aw failed to inherit her father's business nous, and made several ill-timed forays into overseas property and other ventures.

Her newspapers, operating in a highly competitive marketplace, came further adrift when Hong Kong went into recession.

A scam to inflate circulation of the Hong Kong Standard was uncovered by the anti-corruption body, and earlier this year three executives were prosecuted and subsequently jailed. Controversially, Miss Aw was never prosecuted.

Indian telecoms groups strengthen

By Krishna Guha in Bombay

India's two big telecommunications companies announced healthy profits for the year to March 31 on increased phone penetration and rising call traffic.

Videsh Sanchar Nigam (VSNL), the monopoly international carrier, reported a 37 per cent jump in pre-tax profits to Rs19.2bn ($448m). The company said its revenues from value added services rose 71 per cent, with 151 *per cent growth in internet revenues* to Rs1.7bn.

Mahanagar Telephone Nigam (MTNL), the main telephone company in Delhi and Bombay, unveiled a less spectacular 19 per cent rise to Rs19.8bn. Its line growth fell.

Higher salaries following a public sector pay deal increased costs by 12.3 per cent to Rs27.5bn.

The results are the last under India's old tariff regime. New rates set out by the independent regulatory authority come into force in May.

Analysts expect the new tariff structure to boost VSNL's profits.

VSNL earns Rs10 per call under a revenue sharing agreement with the government, *regardless of the rate* charged to the caller.

The outlook for MTNL under the new tariff regime is more mixed. Its revenues are based on the rate charged to the caller, less 25 per cent passed on to the government.

THAILAND TWO DEALS AGREED THIS WEEK COULD PAVE THE WAY FOR OTHERS

Lifeline for banking system

By Ted Bardacke in Bangkok

It may have taken a while, but suddenly there is hope for the Thai banking industry.

Yesterday's announcement that Siam Commercial Bank had succeeded in raising $1.75bn in new capital combined with Wednesday's purchase of Nakornthon Bank by the UK's Standard Chartered Bank demonstrated that one of the two main ingredients necessary for financial system stability – lots of new cash – does indeed exist.

Investors had once again begun to question the stability of Thailand's financial system, burdened as it is with some Bt2,500bn ($66.8bn) in bad debt as the government's capital assistance plan for ailing commercial banks failed to find large applicants in the first six months after being announced by Tarrin Nimmanahaeminda, the finance minister.

The delays to the sale of three recently nationalised banks added to such worries.

But Siam Commercial's success in protecting its shareholders and most of its top executives from tough government requirements may pave the way for others to follow.

"This is an incredible vindication of Tarrin's approach," said Scott Ferguson, head of Asia Equity Capital Markets at Salomon Smith Barney, global co-ordinator of the Siam Commercial offering.

Most immediately helped are Bank of Ayudhya and Thai Military Bank, the remaining big Thai banks in need of significant capital injections.

Analysts say they will be a tougher sell to the market than Siam Commercial but that at least there is now a blueprint they can follow which addresses their concerns and, with the right kind of sales pitch, allows them to raise significant amounts of cash.

"There is just a huge wall of foreign institutional money waiting for a good story out of Thailand," said one investment banker with close knowledge of the Siam Commercial Bank deal.

Following the Nakornthon sale, it is crunch time for the likes of HSBC, Citibank and others that have expressed a desire to take over a Thai commercial bank.

The government is committed to sell three banks in the next several months – initial bids for the first one, Radanasin Bank, will be accepted on Monday.

Yet the other main ingredient to a banking recovery, loan demand and the profitability that goes with it, has yet to appear.

"We've just about fixed the supply side of the problem. Soon banks will have enough money to cover losses on bad debt and to make new loans," said Scott Christensen of Jardine Fleming. "It's the demand side that now needs to be focused on."

Here things are less certain. Non-performing loans may have indeed peaked as claimed earlier this week by the central bank, but Thai corporations are over-leveraged and want to pay down debt rather than seek new borrowing.

In addition, with capacity utilisation still running at about 50 per cent, any new loans are small ones for working capital, not huge ones for new investment.

Airtours bid sets up holidays price war

By Scheherazade Daneshkhu, Leisure Industries Correspondent

A holidays price war seemed set to erupt yesterday in the wake of the opening of a bid battle for First Choice, one of Britain's biggest tour operators.

Airtours, the second largest, launched an £800m ($1.29bn) hostile bid for First Choice, third biggest, which if successful would break up First Choice's £1.5bn merger deal with Switzerland's Kuoni and knock Thomson Travel Group from its number one slot.

Thomson immediately pledged to start selling its main summer 2000 holidays next week with "substantially increased capacity and very attractive prices" and stressed it had no intention of surrendering its market leader position.

A price war is widely regarded as potentially damaging to the industry. Reflecting this, Thomson's shares, which floated last year at 170p, closed 24p lower at 130½p. The company is regarded as more vulnerable to a price war than Airtours because 90 per cent of its profits comes from the UK compared with 65 per cent for Airtours.

Some institutional shareholders in Thomson privately questioned the logic of the strategy and said they would seek clarification from Paul Brett, Thomson's chief executive and a strong proponent of the market leadership argument.

The Airtours bid would create a company with a market capitalisation of £2.8bn if it succeeds, making it a contender for the FTSE 100.

The company, founded by David Crossland, its chairman, 27 years ago with a £8,000 loan, would increase the number of holidays it sells annually from 10m to 14m, have 1,200 travel agency shops and operations in 17 countries.

The possibility of a counter-bid from Preussag, Europe's largest travel company which has a controlling stake in Thomas Cook, the UK travel group, disappeared after Airtours revealed it had undertakings from Thomas Cook, Preussag and Westdeutsche Landesbank, a large Thomas Cook shareholder, not to make a competing offer.

There was shareholder concern yesterday that the bid would plunge the industry into a damaging holiday price war after First Choice, which had recommended the merger with Kuoni to its shareholders said yesterday they should take no action.

But Airtours, which failed in its 1993 bid for First Choice – then called Owners Abroad – due to lack of shareholder support, said it had secured the support of 44 per cent of First Choice's ordinary shareholders.

Phillips & Drew, which holds 10 per cent of First Choice's shares said it supported Airtours' bid over a merged Kuoni/First Choice because of the higher price, the scope for substantial cost savings and because Airtours had delivered in the past. "It's a much more compelling offer but it does involve the risk that it may not be cleared by the competition authorities," said Phillips & Drew.

Airtours said its bid would lead to annual cost savings of £35m.

Allied Domecq drops by 9% on flat sales

By David Blackwell and John Willman

Shares in Allied Domecq tumbled yesterday after the spirits and retailing group reported a 9 per cent fall in interim profits and flat sales.

Allied, which warned in January that profits would be hit by a downturn in its pubs business, said trading had picked up in the last few weeks. But it added that pub profits were unlikely to return to last year's levels until the final quarter.

Underlying growth in the spirits side was strong in Europe and North America. But the performance elsewhere was hit by the turmoil in emerging markets and changes to the tax regime in Mexico, an important market for the group.

Allied shares fell 31p to close at 478½p. Tony Hales, chief executive, will face renewed questions from investors over the group's strategy. "While it is terribly difficult to separate industry conditions from management performance, there is a growing feeling that someone else might have made a better fist of things," said one institution.

Sir Christopher Hogg, chairman, said he had been surprised at the strength of market reaction to the January statement. But there was underlying growth as Allied concentrated its resources behind key brands in each of the important markets.

He said demerger remained an option, and that Allied continued to talk to all possible partners in the drinks industry. "We will do anything that enhances shareholder value," he added.

Pre-tax profit fell from £320m to £292m ($470m) in the six months to February 28, on turnover down 3 per cent at £1.83bn. Earnings per share were up 20 per cent at 25.4p (21.1p) but down 4 per cent after allowing for exceptionals which included £189m profit on the sale of Cantrell & Cochrane, the Irish drinks company.

Mr Hales said the group had reacted to the downturn in its pubs business with measures to boost turnover. These included keeping price rises below competitors and offering better value meals. Direct mail was being used to target new and lapsed customers.

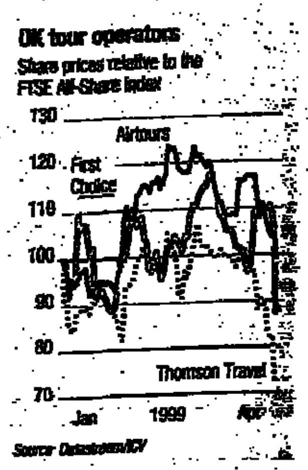
Allied was commended by one analyst for resisting the temptation to throw money into the under-performing pubs. But another said Mr Hales had failed to reassure him that the group had done enough to arrest the decline.

In the spirits division, volumes of the four core brands rose, with Sauza tequila up 14 per cent and Kahlua liqueur ahead by 11 per cent. But Ballantine's scotch whisky was flat and Beefeater gin down 2 per cent.

But the division's operating profit fell 4.6 per cent because of currency movements and a £10m fall in profit from bulk sales after stocks had been reduced.

COMMENT

Airtours bid



Piqued at Airtours' bid for First Choice, Thomson Travel seems bent on casting the UK tour operating sector back to the dark ages. To protect its longstanding market leadership – which it would lose if Airtours' bid succeeded in wresting First Choice from its planned merger with Switzerland's Kuoni – Thomson is proposing a calamitous price war. If it hoped this would knock back the value of Airtours' all-paper bid, it was right: however, while Airtours' shares fell 6 per cent yesterday, Thomson's plunged more than 15 per cent, leaving them 23 per cent below last year's flotation price. Thomson's management is demonstrably failing to adjust to life in the public eye. Recovering shareholder support looks difficult.

As for Airtours' bid, it appears to be a knock-out. Despite yesterday's fall, it values First Choice shares at 215p, a 44 per cent premium to Kuoni's implied offer. And with over 40 per cent irrevocable or indicative acceptances and Preussag-controlled Thomas Cook ruling itself out, Airtours has virtually closed off the possibility of rational counterbidders. Thomson, however, may not fall into that category.

Competition worries must also be an issue, given the combined group's 35 per cent market share. A lengthy European investigation seems probable. That said, Kuoni's bid, for all its weaknesses, remains on the table if Airtours is blocked.

United News & Media

United News & Media has hardly inspired the market in recent years. But yesterday's acquisition of Nasdaq-listed high-technology magazine publisher CMP really sparkles. Grabbing the leading business-to-business titles and their promising web sites at a cyclical low-point in the computer advertising market is canny. At 1.9 times CMP's sales, United has paid below the industry average for such deals. The main attraction is CMP's low margins. United's team at Miller Freeman has shown itself able to lift margins to 20 per cent in previous deals.

Creating a tracking stock for CMP's online businesses is sensible, particularly if it attracts ZDNet's stratospheric rating. Having a web currency to snaffle up other online sites is essential, given current valuations and the need to lure ambitious staff with juicy options.

Vivendi mulls over bidding for One-2-One

By David Owen in Paris

Vivendi, the acquisitive French communications and utilities group, is considering bidding for One-2-One, the UK's fourth biggest mobile phone operator, as an early building block for a European telecoms empire.

Jean-Marie Messier, the French group's chairman, said the company wanted to build a "solid European base with the alliances needed for us to offer a worldwide service to our customers. Within two years, we think there will be very significant opportunities for Vivendi in Europe in the domain of telecoms."

One-2-One, which analysts have valued at up to £11bn, ($17.7bn) was put up for sale last month by its joint owners Cable and Wireless, the UK telecoms group, and MediaOne, the US cable operator. The decision followed an agreed bid for MediaOne by Comcast, a rival cable group, although this offer was trumped this month by AT&T, the US long distance telecoms operator.

Vivendi, the biggest shareholder in Cegetel, a French telecoms operator in which the UK's BT also has a large stake, joins a long list of potential bidders for One-2-One. It is thought these could include Deutsche Telekom of Germany, Bell Atlantic of the US and France Telecom. Michel Bon, France Telecom's chairman, yesterday hinted in an interview with Le Monde, the French newspaper, that the company might make a UK acquisition.

Mr Messier said Vivendi, the former Générale des Eaux, which already has extensive UK interests in other fields, would only move for One-2-One if it thought "the financial conditions" were compatible with its targeted rate of return for shareholders.

"It is not sure that the situation of One-2-One – fourth licence, low market share, weak revenues, high acquisition cost – is the ideal situation. Nevertheless, that is one of the situations we are looking at. We would really only do it if the price conditions were reasonable."

Launched in 1993, One-2-One was the first UK mobile phone operator to offer mass market services.

Vivendi last month bought a 51 per cent stake in Monaco Telecom, the national telecoms operator of the tiny but wealthy Mediterranean coast principality.

Unilever predicts sales growth despite setback

By David Blackwell

Unilever, the Anglo-Dutch consumer products group, is confident that sales growth can be re-established this year after a disappointing first quarter.

The group blamed the difficult economic backgrounds in several markets including Russia, Brazil and Chile, for a fall of 1 per cent in turnover to £6.5bn ($10.5bn) in the first three months.

Its ice cream businesses suffered from a reorganisation of distribution in the UK, higher prices for ingredients in North America and inclement weather in Brazil.

The shares were marked down 33¼p to 559½p yesterday after the group reported a 4 per cent decline in pre-tax profits to £666m (£691m). Excluding exceptional items operating profits were flat at £645m.

The latest figures compare with a strong first quarter in 1998, when operating profits were 41 per cent higher on an 8 per cent rise in sales.

The group said the latest quarter was one trading day shorter, which was equal to a 1.5 per cent fall in sales.

Sales fell in Europe and North America, and were flat in Latin America. The group said the 4 per cent fall in European sales mainly reflected the troubled economy of Russia, where volumes tumbled 60 per cent. "We have scaled the business back to fit the new circumstances, and refocused on the leading brands and categories," the company said, adding that the fall-out from Russia had affected other east European countries.

In Africa and the Middle East sales were 3 per cent ahead on better margins, a good performance in South Africa and continued recovery in Nigeria. Robust sales of household and personal care products helped to drive turnover from the Asia and Pacific regions up 5 per cent.

Interest receivable was £4m higher at £35m. Earnings slipped to 5.66p (5.7p).

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COMPANIES & FINANCE: UK

Rothmans progress lifts BAT

By David Blackwell

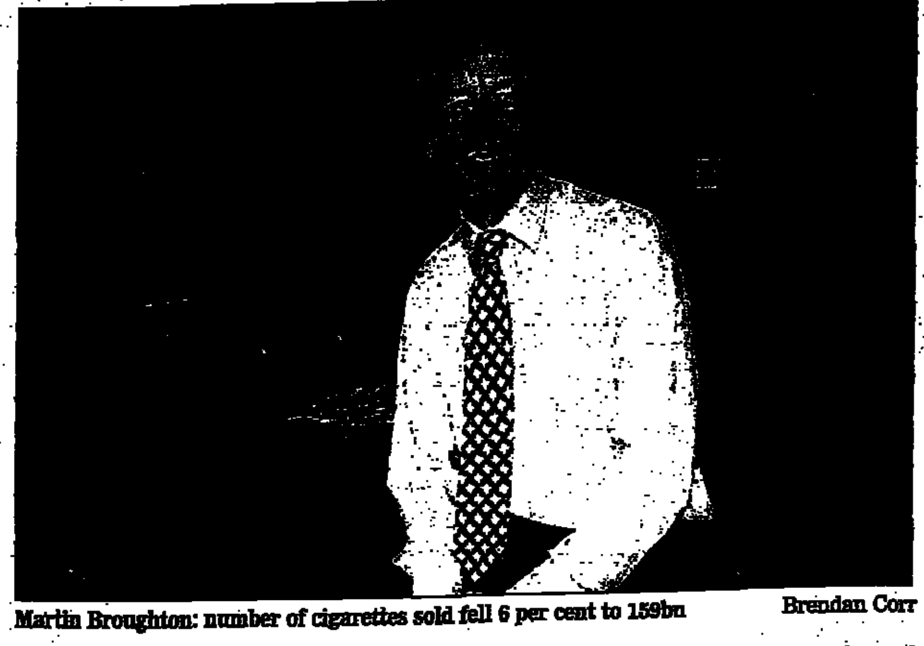
British American Tobacco expects its £5.3bn ($8.5bn) takeover of Rothmans International to clear the last regulatory hurdle in Australia and be completed before the end of June.

The progress with the merger, coupled with early signs of recovery in the troubled Brazilian and Asian markets, helped to lift the shares 39p to 544p at the close yesterday in spite of a fall in first-quarter profits.

Pre-tax profits in the three months to March 31 slipped from £311m to £309m on turnover of £4.2bn ($4.1bn). Operating profits fell 10 per cent to £341m as the number of cigarettes sold declined 6 per cent to 159.3bn, reflecting a slowdown in all markets except Europe.

Martin Broughton, chairman, said the Rothmans merger would "obviously have a major impact on the group in the balance of the year.

Excluding Rothmans, however, the board expects that operating profit before exceptional items should be broadly similar to 1998, as the results improve during the second half of the year."



Martin Broughton: number of cigarettes sold fell 6 per cent to 159bn   Brendan Corr

Gerry Gallagher, tobacco analyst at Dresdner Kleinwort Benson, said the shares had been undervalued because of the US tobacco litigation angle. The market had been aware that the operating figures would be down, but had been buoyed by the more positive trading outlook.

He raised his forecast for the full year – assuming the Rothmans merger from January 1 – by £70m to £2.05bn, excluding exceptionals.

Sales of the group's cigarettes in the US fell 2.9bn to 13.2bn after the 45 cents-a-pack price rise last November as part of the US tobacco settlement.

Operating profits in the AmericaPacific region fell 19 per cent to £92m, but analysts said the group's performance in the US had been better than its main rivals, Philip Morris and RJR.

Interest payments halved to £27m, reflecting a one-off benefit in Brazil. The tax charge rose to about 44 per cent, distorted by the collection of the US litigation monies which will not be paid out until next year and which do not qualify for a tax credit.

Earnings fell 17 per cent from 11.08p to 9.18p.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
A de Gruchy	Yr to Jan 31	50.6	(58.4)	2.71♠	(3.21)	13.4	(17)	6.44	-	6.2	9	8.52
Allied Domecq	6 mths to Feb 28	2,150	(2,210)	330♥	(318)	25.4	(21.1)	15✝	#	9.73✝	-	25.33✝
Amvescap	3 mths to Mar 31	241.1	(162.1)	60.5	(55.9)	6†	(6.5)	-		-	-	8
Anglo-Eastern	Yr to Dec 31	9	(15)	5.82♥	(8.22♠)	8	(9.6)	4.34	June 16	4	4.34	4
Arcon Intl ♣	Yr to Dec 31 ■	12.6	(13.2)	8.21L♠	(3.59L)	2.86L	(1.25L)	-	-	-	-	-
Ashanti Gold $	3 mths to Mar 31	153.7	(133.7)	22	(15)	20	(14)	-	-	-	-	10
Bloomsbury Publish	Yr to Dec 31	15.2	(13.7)	1.57	(1.35)	12†	(10.9)	2.9	July 2	2.9	3.7	3.6
BAT	3 mths to Mar 31	4,194	(4,105)	309	(311♠)	9.18	(11.08)	-	-	-	-	-
Chiroscience	Yr to Feb 28	41.2	(26.2)	16.2L	(23.3L)	15.8L†	(22.3L)	-	-	-	-	-
Connaught Φ	6 mths to Feb 28	23.5	(14.6)	0.602	(0.266)	4.6†	(2.1)	1.6	July 5	-	-	-
European Motor	11 mths to Feb 28☆	376.8	(470.4)	6.04♥	(10.2)	7.7	(13.2)	3.5	Sept 1	3.5	6.1	6.1
Eurosov Energy	16 mths to Dec 31	6.71	(-)	9.84L♠	(-)	33.04L	(-)	-	-	-	-	-
Golden Rose	6 mths to Mar 31	1.73	(1.62)	1.67L	(0.67L)	11.4L	(4.7L)	-	-	-	-	-
Linton Park Φ	Yr to Dec 31	196.8	(185)	22.2	(17.84♠)	70.5	(54.8)	16.75	July 6	16	24	22.25
Marlborough	6 mths to Dec 31	0.267	(0.161)	0.061	(0.32)	0.61	(2.25)	0.36‡‡	June 29	0.54	-	1.4§
Prestwick	6 mths to Jan 31	18	(23)	1.1L	(0.918)	2.75L	(1.4)	nil	-	0.4	-	0.4
S&U	Yr to Jan 31	64.8	(62.3)	5.85	(6.82)	33.3	(40.6)	15	July 1	14.5	20	19
Sheffield United	6 mths to Dec 31	3.65	(5.46)	2.32L	(2.55L)	4.6L	(5L-)	-	-	-	-	-
Smith (WH)	6 mths to Feb 28	1,276	(1,849)	105	(128)	30.1‡	(31)	5.75	July 1	5.25	-	16.6♦
SVB	6 mths to Dec 31 ★	87.8□	(81.7□)	0.817♥	(32.5♥)	3L	(32.29)	1.8	-	1.5	-	11.6
Unilever	3 mths to Mar 31	6,506	(6,593)	666♠	(691♥)	5.66	(5.7)	-	-	-	-	10.7§
Watermark	Yr to Dec 31	14.8	(13.7)	1♠	(1♠)	3.35†	(3.65)	0.94	July 28	0.88	0.94	0.88

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Advent 2 VCT	11½ mths to Feb 28	95.6	(-)	1.15	(-)	3.3	(-)	1.6	#	-	3	-
Downing Health Pro	6 mths to Dec 31 ✱	96.5	(95.5)	0.165	(0.292)	1.7	(3)	2.4	#	1	-	5.2
Investors Capital	6 mths to Mar 31	244.1	(209.3)	7.21	(6.67)	2.9	(2.7)	1.48*	June 9	1.42	-	5.93✝✝
Jove	Yr to Feb 28	67.23	(63.41)	1.16	(1.17)	8.21	(8.29)	4	May 28	3.7	7.4§	7.05✝✝§

Earnings shown basic. Dividends shown net except ‡‡Gross throughout. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ✝Foreign income dividend. #Already paid. ♣Irish currency. ■Comparatives for 16 months. $US currency. ΦAim stock. ☆Comparatives for year to March 31 1998. §Excludes special. ‡On reduced capital. ♦Pro forma annualised. ★Comparatives restated and cover 12 months to June 30 1998. □Gross premiums written. ✱Comparatives for 11 months. *Second interim dividend; makes 2.96p to date. ✝✝Includes FID element.

LEGAL NOTICES

No. 002715 of 1999
In the High Court of Justice
Chancery Division
Companies Court
In the Matter of TARMAC CONSTRUCTION LIMITED
and in the Matter of The Companies Act 1985

NOTICE IS HEREBY GIVEN that a Petition was on 19 April 1999 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the share premium account of the above-named Company by £67,127,000.
AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Companies Court Registrar at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 12th day of May 1999.
ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of share premium should appear at the time of hearing in person or by Counsel for that purpose.
A copy of the said Petition will be furnished to any such person requiring the same by the under-mentioned Solicitors on payment of the regulated charge for the same.
Dated the 27th day of April 1999
LINKLATERS & PAINES (DTL), One Silk Street, London EC2Y 8HQ.
Solicitors for the above-named Company

No. 002716 of 1999
In the High Court of Justice
Chancery Division
Companies Court
In the Matter of TARMAC PROFESSIONAL SERVICES LIMITED
and in the Matter of The Companies Act 1985

NOTICE IS HEREBY GIVEN that a Petition was on 19 April 1999 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the above-named Company from £90,000,000 to £30,454,323.
AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Companies Court Registrar at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 12th day of May 1999.
ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.
A copy of the said Petition will be furnished to any such person requiring the same by the under-mentioned Solicitors on payment of the regulated charge for the same.
Dated the 27th day of April 1999
LINKLATERS & PAINES (DTL), One Silk Street, London EC2Y 8HQ.
Solicitors for the above-named Company

LEGAL NOTICES

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

In re: UNITED COMPANIES FINANCIAL CORPORATION, ET AL., Debtors. | Chapter 11 Case Nos. 99-450 (MFW) through 99-461 (MFW) JOINTLY ADMINISTERED

NOTICE OF (I) HEARING TO CONSIDER MOTION OF DEBTORS FOR ORDER APPROVING TRANSFER OF ASSETS OF UC LENDING® LOAN ORIGINATION BUSINESS PURSUANT TO TERMS OF ASSET PURCHASE AGREEMENT, INCLUDING SALE OF OWNED ASSETS UNDER SECTIONS 363(b) AND 363(f) OF BANKRUPTCY CODE AND ASSUMPTION AND ASSIGNMENT OF RELATED CONTRACTS AND LEASES UNDER SECTIONS 365(a) AND (f) OF BANKRUPTCY CODE AND (2) ORDER ESTABLISHING PROCEDURES FOR SUBMISSION OF ANY HIGHER OR BETTER OFFERS WITH RESPECT TO PROPOSED TRANSFER

TO ALL CREDITORS, SHAREHOLDERS AND OTHER PARTIES IN INTEREST: NOTICE IS HEREBY GIVEN, as follows:

[illegible]

... to Weil, Gotshal & Manges LLP, attorneys for the Debtors, 767 Fifth Avenue, New York, New York 10153, Attention: Denise Sollicito, Fax: 212-310-8007. Due diligence inquiries should be directed to United Companies Financial Corporation, 4041 Essen Lane, Baton Rouge, Louisiana 70809; Attention: Stephanie Dixon, Telephone: 225-987-2385.

DATED: Wilmington, Delaware
April 27, 1999

BY ORDER OF THE COURT
/s/ Mary F. Walrath
MARY F. WALRATH
UNITED STATES BANKRUPTCY JUDGE

WEIL, GOTSHAL & MANGES LLP
767 Fifth Avenue
New York, NY 10153
(212) 310-8000

-and-

RICHARDS, LAYTON & FINGER
One Rodney Square
Wilmington, DE 19899
(302) 658-6541

Attorneys for the Debtors

No. 002817 of 1999
In The High Court of Justice
Chancery Division Companies Court
In The Matter of
COVETT ENHANCED INCOME INVESTMENT TRUST PLC
and In The Matter of The Companies Act 1985
NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 14th April 1999 confirming the cancellation of the share premium account of the above-named company amounting to £44,899,717.50 was registered by the Registrar of Companies on 15th April 1999.
Dated the 23rd day of April 1999
LINKLATERS & PAINES (DTL)
One Silk Street, London EC2Y 8HQ.
Solicitors for the above-named Company

LG Electronics Inc.

U.S. $30,000,000
Floating Rate Notes Due 2000

Unconditionally and irrevocably guaranteed by
LUCKY, LTD.

Interest Rate: 5.3125% p.a.

Interest Period:
30th April, 1999 to 29th October, 1999

Interest Amount per U.S. $10,000
Note due 29th October, 1999
U.S. $268.58

Interest Amount per U.S. $100,000
Note due 29th October, 1999
U.S. $2,685.76

Agent Bank
ING Bank N.V.
London Branch

CONTRACTS & TENDERS

REPUBLIC OF BOTSWANA
MINISTRY OF WORKS, TRANSPORT AND COMMUNICATIONS
ROADS DEPARTMENT

PREQUALIFICATION NOTICE

International Contractors are invited to submit expressions of interest in prequalifying for invitations to tender for the following road construction projects in the Republic of Botswana :

1.	Mahalapye - Palapye Road	(Reconstruction)	69 Km.
2.	Palapye - Serule Road	(Reconstruction)	69 Km.
3.	Serule - Tonota Junction Road	(Reconstruction)	70 Km.
4.	Kudumatse Drive	(Reconstruction & Dualling)	10 Km.
5.	Airport Circle - Rasesa	(Reconstruction & Dualling)	35 Km.

The projects will be funded by the Government of Botswana. Tenders will be required in Botswana Pula, but provision will be allowed for foreign currency payments for foreign currency cost.

The prequalification documents will be available from Director of Roads, Roads Department, Private Bag 0026, Moapare Road, Gaborone, Botswana (Tel: +267-313511, Fax: +267-314278) from 3rd May, 1999 at no cost. The closing date for prequalification submission will be 9th June 1999 for all projects.

Any queries should be directed to the Engineers as follows -

(i) For Projects No. 1, 2 & 3
- Roughton International, Private Bag BR 76, Chobe House, BBS Mall, Broadhurst, Gaborone, Botswana. (Tel: +267-356689/351907, Fax: +267-356689, e-mail: roughton@info.bw).

(ii) For Projects No. 4 & 5
- African Consulting Engineers Botswana (PTY) Ltd., P. O. Box 416, Sir Seretse Khama Airport, Plot 42307, Gaborone, Botswana (Tel./Fax: +267-300182/300481)

هكذا من الاصل

EURO MARKETS

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

Apr 29 National & Regional Markets	Euro Index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Euro) €
FTSE Eurotop 300	1316.25	-0.81	-10.79	1.86	7.50	1363.47
FTSE Eurotop 100	3043.06	-0.68	-20.91	1.82	17.30	1097.41
FTSE Eurobloc 100	1077.34	-0.25	-2.68	1.80	2.16	1095.88
FTSE EuroMid	1322.24	+0.59	+7.74	2.59	10.88	1382.16
FTSE EuroMid Eurobloc	1255.05	+0.70	+8.76	2.46	7.71	1289.60
FTSE EuroMid Ex UK	1318.70	+0.65	+8.51	2.24	8.64	1352.31
FTSE Eurotop 300 Regions						
Eurobloc	1344.11	-0.30	-4.10	1.77	3.12	1376.22
UK	1294.90	-1.61	-21.14	2.15	12.47	1373.77
Europe Ex-Eurobloc	1289.10	-1.32	-17.37	1.96	11.85	1358.58
Europe Ex-UK	1328.69	-0.35	-4.60	1.70	4.72	1358.54
FTSE Eurotop Industry Sectors						
RESOURCES	1150.82	+2.14	+24.06	2.45	6.55	1211.74
Mining	1247.87	+5.97	+70.29	2.81	21.37	1305.58
Oil & Gas	1103.48	+1.96	+21.25	2.43	5.69	1137.20
BASIC INDUSTRIES	1238.35	-0.89	-11.07	2.36	7.95	1273.96
Chemicals	939.95	-1.20	-11.44	2.29	4.03	961.13
Construction & Bld Matls	1145.57	-1.10	-12.74	2.20	3.06	1159.09
Forestry & Paper	1109.01	+2.67	+28.84	3.49	38.68	1206.55
GENERAL INDUSTRIALS	1222.77	-0.13	-1.64	2.28	8.38	1257.94
Aerospace & Defence	856.50	-1.75	-15.26	1.97	6.78	875.58
Diversified Industrials	949.07	+0.05	+0.45	2.24	1.73	972.53
Electronic & Elect Equip	1211.46	+0.01	+0.15	1.56	9.86	1229.81
Engineering & Machinery	1138.09	-0.11	-1.31	3.86	13.84	1168.67
CYCLICAL CONS GOODS	1414.83	-1.28	-18.33	2.13	1.34	1455.19
Automobiles	1034.80	-1.57	-16.47	2.18	0.53	1044.98
Household Goods & Texs	1501.72	-0.03	-0.39	1.90	4.14	1518.71
NON-CYC CONS GOODS	1193.88	-1.87	-22.78	1.57	9.30	1236.19
Beverages	983.33	-1.93	-18.99	2.40	11.17	996.00
Food Producers & Processrs	923.14	-1.06	-9.89	1.71	3.36	937.44
Health	1035.60	-1.02	-10.83	1.06	0.00	1051.09
Packaging	869.84	-0.04	-0.36	1.03	0.00	870.92
Personal Care & Hse Prods	1132.17	+0.11	+1.25	0.96	1.94	1143.86
Pharmaceuticals	1061.34	-2.83	-30.92	1.36	9.70	1076.53
Tobacco	1372.34	+3.13	+41.65	3.23	26.75	1426.19
CYCLICAL SERVICES	1370.60	-1.40	-19.46	1.83	7.37	1418.57
Distributors	619.07	-0.34	-2.11	1.51	0.00	626.02
General Retailers	1164.98	-1.31	-15.51	1.84	3.83	1193.23
Leisure Entertmt & Hotels	1067.59	-1.24	-13.46	1.81	8.72	1092.61
Media & Photography	1259.27	-0.24	-3.01	1.73	11.34	1284.45
Rests, Pubs & Breweries	926.01	-2.49	-23.66	2.57	3.71	957.33
Support Services	1051.19	-2.75	-29.75	1.27	4.82	1067.17
Transport	987.90	-2.23	-22.56	2.34	5.18	1011.38
NON-CYCLICAL SERVS	1410.04	-1.46	-20.84	1.25	2.31	1453.75
Food & Drug Retailers	1120.71	-1.75	-20.00	1.71	6.11	1144.09
Telecommunications Servs	1387.29	-1.39	-19.60	1.16	1.14	1409.16
UTILITIES	1345.90	-0.16	-2.14	2.89	8.10	1435.42
Electricity	1011.60	-0.83	-8.51	3.22	5.57	1049.23
Gas Distribution	1165.12	+2.38	+27.03	1.44	8.21	1291.81
Water	863.44	-1.29	-11.26	5.28	5.94	909.89
FINANCIALS	1409.95	-0.84	-11.99	1.91	9.43	1458.80
Banks	1027.74	-0.95	-9.84	2.11	9.26	1052.69
Insurance	1005.43	-0.59	-5.92	1.38	1.91	1019.52
Life Assurance	1164.34	-1.40	-16.50	1.72	8.46	1188.39
Investment Companies	1056.55	-0.10	-1.10	2.17	0.00	1081.89
Real Estate	786.84	-0.00	-0.02	2.80	1.67	788.63
Speciality & Other Fin	1021.69	+0.36	+3.66	2.40	2.94	1041.77
INFORMATION TECH	1004.44	-1.74	-17.78	0.85	4.80	1012.08
Information Tech Hardware	1096.28	-2.02	-22.62	0.94	6.24	1105.70
Software & Computer Serv	792.58	-0.81	-6.47	0.56	1.45	795.97

■ FTSE EUROTOP 100 INDEX FUTURES (LIFFE) €20 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3056.0	3056.0	+1.0	3056.0	3056.0	4	6785

■ EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) €10 per index point

	2800 C	2800 P	2850 C	2850 P	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P
Jun	285	37	243	46	209	56	172	69	138	86	108	106	82	130	-	-
Jul	-	-	279	71	239	84	202	98	170	115	140	136	114	160	-	-

Est vol total 1 Prev day's open interest total 13,716. Premiums shown are based on settlement prices.

OTHER INDICES

	Apr 29	Apr 28	Apr 27	1999 High	1999 Low	Since compilation High	Since compilation Low
DJ Stoxx 50	3734.52	3763.44	3764.53	3764.53	3260.29	3764.53	2433.07
DJ Euro Stx 50	3735.91	3743.49	3756.20	3756.20	3325.56	3756.20	2419.23
MSCI Europe	1278.87	1286.02	1289.16	1289.39	1153.00	1316.65	510.78

Source: Financial Times Information. *Subject to revision next day. (u) unavailable.

Defence industry prepares for new battles

The Kosovo campaign may lead to a reassessment of the needs of European defence policy, writes Bertrand Benoit

War is bad news for financial markets. But Nato's military intervention in Kosovo has thrown one class of stocks into the searchlight.

Over the past few days, defence issues such as Thomson-CSF and Lagardère of France and British Aerospace have risen 10-20 per cent. The conflict may mean little in terms of new orders but it could have a lasting effect on the industry.

Despite record profitability, Europe's defence sector is emerging from a decade of bruising budget cuts and declining export markets.

At first sight, the air campaign over Kosovo is far from a boon. The only beneficiary so far has been Raytheon of the US, which manufactures the Tomahawk cruise missile. Yet by highlighting the shortcomings of European armed forces, the war may lead to a major reassessment of their needs.

"Europe has long been preparing for the third world war where the quantity of weapons mattered more than quality," says Nick Cunningham, defence analyst at Salomon Smith Barney. "But the difficulties Nato faces in Kosovo underline the need for reach, flexibility and precision."

The debilitating impact of bad weather has been an embarrassment for the alliance. Its pilots have had trouble seeing targets and, despite the use of unmanned drones and the secure radio communication systems on some US aircraft, evaluating damage and gathering intelligence has proved difficult.

"Kosovo is changing the military's ideas about what sort of equipment it needs and that could prompt a massive replacement cycle," says Mr Cunningham.

Meanwhile, the ambition of Britain and France to establish a European Defence Identity – a political structure enabling European Union countries to use Nato assets without US support – will put pressure on governments to upgrade forces.

According to Salomon Smith Barney's latest survey of the industry, the decline in military spending following the cold war, may be bottoming out. The latest generation of European fighter aircraft has gone into development. Production of Dassault Aviation's Rafale, and Eurofighter, a rival produced by a consortium of four countries, will boost turnover over the next six years.

In addition to the Tiger and NH90 helicopters, Europe is getting its own cruise missile, the Apache from Matra BAe Aerodynamics, a joint venture between Lagardère and BAe.

For the defence team at Charterhouse, "the industry is moving into a period of equipment production that has not been experienced for the last 20 years". Digby Waller, defence economist at the International Institute for Strategic Studies in London, agrees. "The US has announced a rise in defence spending. Somewhere along the line, European governments will follow."

Defence companies stand to benefit hugely from even a moderate pick-up in orders thanks to the transformation undergone in the 1990s. "Revamped management teams have created leaner and fitter structures, with additional turnover falling straight to the bottom line," said a London-based analyst.

Companies have also adjusted to new procurement methods, moving to the so-called fixed-price system, where the cost of delays and budget overruns is incurred by the maker in exchange for higher margins.

One cloud on the horizon is the decline in commercial aircraft orders, which constitute roughly half the turnover of Europe's biggest aerospace companies. Yet, according to most analysts, the slowdown is unlikely to be as severe for Airbus, the European consortium, as for the market in general.

"Airbus is in pretty good shape with its biggest backlog in history and the market share it gained from Boeing during the up-cycle," says Sash Tusa, defence analyst at Goldman Sachs.

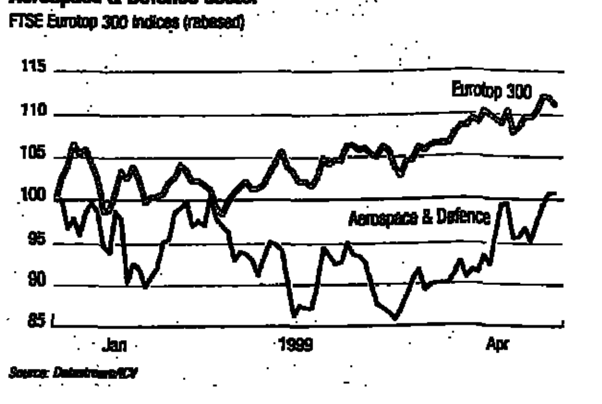
The acceleration of consolidation will also give support to share prices this year. BAe's acquisition of Marconi, GEC's defence unit, in January, has made a pan-European link-up less likely because of the reluctance of DaimlerChrysler Aerospace to join BAe as a junior partner. But the pressure has not abated and Dasa is widely thought to be eyeing Casa, Spain's state-controlled defence company.

"Companies will link up at the products level, which is less damaging to national pride," says one analyst. News of the proposed merger of the missile assets of BAe, Lagardère, and Finmeccanica of Italy, announced by John Weston, BAe chief executive, this week is part of such a dynamic.

As the industry leaves its lean times behind, defence stocks may turn out to be a better investment than they have been for a decade.

Aerospace & Defence sector

FTSE Eurotop 300 indices (rebased)



Source: Datastream/ICV

CURRENCIES, MONEY & BONDS

EURO-ZONE BONDS

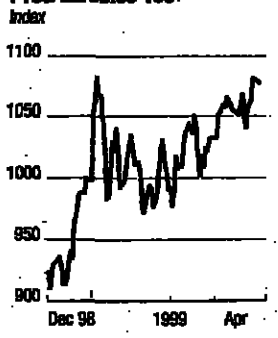
Apr 29	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
■ SOVEREIGNS								
UK	01/01	4.250	AAA	102.893	2.52	-0.09	-0.41	-0.15
Denmark	01/02	4.750	AA+	104.467	2.98	-0.03	-0.25	+0.17
Sweden	02/01	5.000	AA+	103.704	2.81	-0.03	-0.27	+0.14
Greece	11/06	6.750	BBB	115.830	4.24	-0.08	-0.22	+0.76
■ SUPRANATIONALS								
ADB	10/07	5.500	AAA	109.634	4.13	-0.03	-0.24	+0.54
EIB	04/08	5.000	AAA	107.417	4.00	-0.03	-0.25	+0.29
Eurofima	12/09	5.625	AAA	110.678	4.32	-0.03	-0.26	+0.50
World Bank	04/05	7.125	AAA	118.475	3.61	-0.03	-0.22	+0.30
■ UTILITIES								
EDF	10/03	3.750	n/a	102.430	3.16	-0.01	-0.21	+0.18
TEPCO	02/03	4.750	AA	104.347	3.51	-0.03	-0.23	+0.53
Quebec Hydro	03/08	5.375	A+	106.862	4.42	-0.03	-0.32	+0.71
Norsk Hydro	10/99	7.250	A	101.655	3.12	-0.01	-0.31	+0.56
■ FINANCIALS								
Bad Wurtt	02/10	5.375	AAA	108.857	4.33	-0.03	-0.25	+0.44
OKB	09/07	5.750	AAA	112.179	4.00	-0.05	-0.27	+0.41
Credit Local	04/08	5.250	AA+	107.658	4.21	+0.00	-0.30	+0.50
Abbey Natl	01/09	5.000	AA-	102.743	4.64	-0.03	-0.23	+0.82
■ INDUSTRIALS								
Unilever	10/01	5.125	AAA	104.787	3.05	-0.03	-0.23	+0.38
McDonalds	03/08	5.125	AA	106.541	4.23	-0.03	-0.25	+0.52
Philip Morris	06/08	5.625	A	105.460	4.87	-0.03	-0.26	+1.16
BAT Int Fin	07/08	5.375	A-	104.614	4.61	-0.03	-0.31	+1.15
■ PFANDBRIEFE								
Rhein Hypo	12/01	5.500	n/a	106.180	2.97	+0.01	-0.25	+0.30
Eurohypo AG	01/04	5.000	n/a	106.958	3.37	+0.01	-0.23	+0.22
Bayer Vereins	01/06	6.000	n/a	113.043	3.76	+0.01	-0.24	+0.30
Depfa	07/08	4.750	n/a	104.252	4.18	+0.02	-0.20	+0.47
■ HIGH YIELD								
Geberit	04/07	10.125	B+	115.000	6.08	-0.09	-0.09	+2.49
Colt Telecom	11/07	8.875	n/a	107.329	7.69	-0.03	-0.13	+4.10
Impress Metal	05/07	9.875	B	112.000	6.93	-0.09	-0.39	+3.34
Remy Cointreau	07/05	10.000	B+	107.174	8.49	-0.03	-1.45	+5.18

Standard & Poor's ratings. Source: Interactive Data/FT Information.

For real-time FTSE Eurotop 300 index quotes call FT Cityline on 0906 843 5920. Calls are charged at 60p per minute at all times.

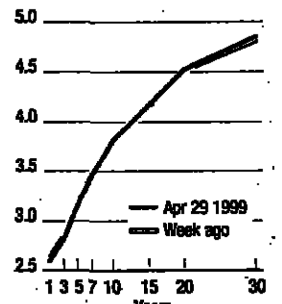
FTSE Eurobloc 100

Index



Euro bond yield curve

Per cent



Sources: FTSE International; Interactive Data/FT Information

EURO SPOT FORWARD AGAINST THE EURO

[illegible]

... Irish Punt 0.787564 ... French Franc 6.55957, German Mark 1.95583 ... Bid/offer spreads in the Euro Spot table show only the last three decimal places. ... FORWARD RATE services. Some values are rounded by the FT.

FTSE EUROTOP 300

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Prices rise on US economic data

BENCHMARK BONDS

By Vincent Boland in London and John Labate in New York

The soar-away US economy came to the rescue of government bond markets again yesterday. Figures showing little evidence of pressure for higher wages, despite the strength of economic growth, helped bond prices rise and yields to fall again.

The employment cost index, a widely watched indicator of underlying inflationary pressures, rose 0.4 per cent in the first quarter.

That was the ECI's smallest rise since the series began in 1982. The figure is considered vital in determining Federal Reserve policy on interest rates.

Analysts were convinced that as a result of the data interest rates would remain unchanged at the May meeting of the Federal Open Market Committee.

"It's the first step in reconfirming to people that inflation is not a problem, despite the signals we've seen that the economy continues to roll along at a good pace," said Claude Persico, at Dresdner Kleinwort Benson.

US Treasury prices moved smartly higher after the data was published. The 30-year bond was up ⅞ by early afternoon at 95⅞, sending the yield down to 5.527 per cent. The 10-year note was up ⅞ at 96⅝, yielding 5.203 per cent, and the two-year note was ⅛ higher at 100⅛, yielding 4.950 per cent.

More key data is due today with the release of gross domestic product figures for the first quarter, which should give an indication of inflationary pressures in the wider economy. The consensus estimate is for the GDP deflator to rise 1 per cent.

European markets were given a big boost by the US data, confirming the extent to which they are taking their cue from the Treasury market in the absence of any significant influences closer to home. The market moves yesterday were enough to push yields down towards levels last touched at the beginning of February.

David Knott, core Europe strategist at Deutsche Bank, said that with no immediate change likely in the European Central Bank's stance on interest rates, European markets would be range-bound for a period.

"It is possible for the ECB to cut rates again but it is difficult to see them doing so. A weaker euro looks like the appropriate policy response [to the weakness in Europe's economy] at the moment," he said.

The yields on 10-year and 30-year German bunds fell to just under 3.84 per cent and just over 4.84 per cent respectively while in the futures market the June bund contract rose 0.54 to 116.02 in another busy session. Traders said activity in the cash market was quieter, with much of the futures trading linked to short-covering after the ECI data.

Investors continue to play the steep European retail curve, however, taking advantage of the relative stability of markets to search for trading opportunities.

"When nothing is happening, it makes sense to roll down the yield curve," Mr Knott said. "Investors are looking for strategies that pay in a low-volatility environment."

In London, UK gilts also rallied ahead of the long holiday weekend, although activity was sharply lower that on Wednesday. The June gilt contract rose 0.50 to 116.58.

Analysts said short-dated gilts could be vulnerable if the Bank of England, as seems likely, does not cut interest rates next month.

Index-linked gilts sale fails to impress

Debt Management Office admits auction less than triumphant

By Khozem Merchant

This week's sale of UK government bonds has produced some red faces at the Debt Management Office, which handles government sales of gilts.

The auction of £500m of index-linked bonds was disappointing, the first time since 1995 that a gilt sale has under-sold. "It was not a triumph," the DMO said. The auction was 94 per cent covered by bids.

Analysts said the bonds were expensive and investors were unwilling to commit themselves to gilts they thought were over-valued.

Index-linked bonds protect investors against inflation. However, when inflation is falling and expected to continue to drop, the popularity of this type of bond wanes. Prices have been falling in the main industrialised countries for many years, diminishing their appeal.

But analysts argue that the index-linked or "linker" bubble has not yet burst. "Investors, especially pension funds, will continue to have a great need for this asset class," said Mark Capleton, international bond strategist at HSBC Markets.

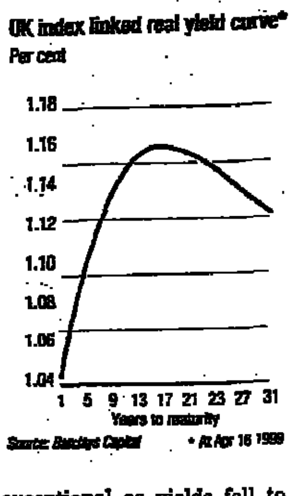
This week's auction came against a background of growing concern over the low levels to which real yields have been driven.

Recent pension legislation, says Kevin Adams, bond strategist at Barclays Capital, combined with the limited "linker supply" (£2.5bn in 1998-99; a planned £3.5bn in 1999-2000) "risks undermining confidence in the proper functioning of the market".

The performance of "long-dated linkers" over the first quarter of this year was exceptional as yields fell to record lows. Long-dated issues produced a return in excess of 5 per cent in the first quarter.

UK index-linked real yield curve*

Per cent



Source: Barclays Capital • At Apr 16 1999

Yesterday, the index-linked bonds were trading above their auction price. Investors who bought made a handsome and quick return. Those who sat on the sidelines, or were diverted by the sale of a 30-year £600m bond by British Telecom on the same day, might be feeling rueful.

"There was some switching out of index-linked and into the BT issue," said the DMO, "by investors who would normally buy this asset class".

The nearest international parallel was in Canada, in June 1997 and more recently in March when "real return bonds" (Canadian inflation-linked bonds) were auctioned at a sharp discount to prevailing prices, only for the bonds to bounce back.

At the DMO auction, bids were received for £470m of the total and in the event the DMO sold only £430m of bonds. The rest will be kept from the market for a "cooling-off period" before being put up for sale next month.

"We are a little surprised," said a DMO spokesman. "We had seen lots of buying in the weeks before and it did not look as though the auction would go wrong because the bond had cheapened [in the grey market]. That creates demand but on the day this did not happen."

Index-linked bonds had certainly cheapened in the run-up to the auction. This was because of widespread nervousness over legislation requiring pension funds to buy more bonds and fewer equities to meet their long-term liabilities. This year the government put under review these guidelines, putting in doubt the role of index-linked bonds.

The review had been imposed because pension funds were concerned about being required to buy index-linked bonds that were offering unattractive returns compared to those on more favoured asset classes such as equities and conventional gilts.

Analysts say the index-linked sector is simply too shallow to support the burden placed on it by new pensions legislation, which steers pension funds towards index-linked gilts "as the most appropriate asset to meet their maturing pension liabilities," said Mr Capleton.

Many analysts also thought the maturity of the issue was too long, even for pension funds' long-term needs.

This is because pension funds generally buy index-linked bonds to match the most mature end of their liabilities (older scheme members), while investing in equities to match the future claims of the youngest scheme members.

Sprint offering raises $3.5bn

NEW ISSUES

By Arkady Ostrovsky

Telecom companies once again dominated the corporate bond market yesterday, led by a $3.5bn offering from Sprint Corporation, the US provider best known for its long-distance calls. The global bond issue was increased by $500m to $3.5bn in response to demand.

The deal comprised three dollar-denominated tranches of $1bn five-year paper, $750m of 10-year and $1.75bn of 20-year paper priced to yield 91 basis points, 124 basis points and 126 basis points over relevant US Treasuries respectively.

Dennis Piper, vice president of Sprint, said the aim was to widen the company's investor base and to attract European institutions. The issue was lead-managed by Warburg Dillon Read and Salomon Smith Barney.

Mr Piper said European investors showed particular interest in the five-year tranche, buying over 20 per cent of the bond. Most of the 20-year paper was sold to US investors. The proceeds will be used to refinance short-term floating-rate debt.

Last week Standard & Poor's downgraded the company from A- to BBB+ as a result of the personal communication division's increasing cash needs.

Boots, the UK drug store chain, launched its first public sterling offering with a £300m 10-year bond.

The issue, which was launched to yield 92 basis points over the benchmark 10-year gilt, was swapped into floating-rate funds, offering the company financing at "well below" 20 basis points over Libor, according to Michael Bunting, the company's treasurer.

The choice of currency was partly dictated by better arbitrage opportunities in sterling than euros. Boots issued a £250m bond in 1992 that was placed with one investor and never traded. The latest issue was led by Greenwich NatWest and Warburg Dillon Read.

ONO Finance became Spain's first telecom and cable TV company to tap the international capital markets with a high-yield bond comprising 10-year tranches of €125m and $275m.

The bond, led by Salomon Smith Barney, was priced to yield 774 basis points over Treasuries and 917 points over 10-year German bund.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Fed Home Loan Banks(a)+	1bn	5.125#	99.782R	Apr 2001	0.05R	+23(4¾Mar01)	Warburg Dillon Read
Republica de Costa Rica	300	(b)#	(b)R	May 2009	0.55R	(b)(4¾Nov08)	CSFB
Ono Finance plc(c,a)	275	13.00#	100.00	May 2009	3.25	+774(Nov08)	Salomon Smith Barney
Oriental Republic of Uruguay	250	7.50#	99.426R	May 2009	0.65R	+212½(Nov08)	Merrill Lynch
DaimlerChrysler N America	250	5.625	99.71R	May 2002	0.225R	+62(5¾Apr01)	JP Morgan
Credito Bergamasco‡	200	(d)	100.05R	May 2006	0.20R	-	Deutsche Bank
Bank of Scotland Treasury‡	150	(e)	100.069	May 2000	0.05	-	CSFB
Telenor ASA	100	5.50	97.73R	Mar 2008	0.325R	+59(4¾Feb04)	Goldman Sachs
EUROS(e)							
Wuerttembergische Hypo‡	250	(f)	99.957R	May 2000	0.05R	-	SG
BMW Finance NV	200	3.50	99.956R	May 2004	0.25R	+44(5¼Nov03)	BGL/CCF/GZB
Ono Finance plc(c,a)	125	13.00#	100.00	May 2009	3.25	+917(Jan09)	Salomon Smith Barney
Kom Landpensjonskasse(k)‡	110	(k1)	100.00	Jun 2009	0.40	-	ABN Amro
STERLING							
Boots Company plc	300	5.50	99.294R	May 2009	0.375R	+92(5¾Dec09)	G Natwest/Warburg
SWISS FRANCS							
Citibank CCMT 1 99-4(m)	1.25bn	(m1)	99.923	May 2003	0.1875	-	CSFB
KfW International Finance	500	3.00(n)	102.55	Dec 2009	2.75	-	Paribas/Warburg
SNCF	200	2.00	101.55	Jun 2004	2.00	-	Warburg Dillon Read
GREEK DRACHMA							
European Inv Bank(p)‡	10bn	6.00	99.5225R	Feb 2002	0.1875R	-	RBC DS Global Markets

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. #Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Fungible with $3bn. Plus 18 days accrued. b) Priced later at Treasuries +400-412½bp. c) Plus equity value certificates to Cableuropa. Callable from 1/5/04 at 106% falling to par. Equity clawback. d) 3-mth Libor +20bp. e) Spread relates to German govt bonds. g) 3-mth Libor flat. h) Fungible with $250m. Plus 76 days accrued. j) 3-mth Euribor [illegible]. k) Callable from Jun 04 at par. k1) 3-mth Euribor +75bp to Jun 04, then +150bp. m) Legal final: 25/5/05. m1) 3-mth Libor flat. n) Fungible with Dr40bn. Plus 97 days accrued. t) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Apr 29	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	01/01	8.750	108.1570	4.91	+0.08	+0.17	-0.02	-0.14
	08/08	8.750	122.8761	5.58	+0.10	+0.25	+0.01	-0.23
Austria	03/01	5.250	104.4600	2.75	-0.03	-	-0.23	-1.42
	01/08	5.000	107.6300	3.94	-0.06	-0.05	-0.23	-1.16
Belgium	03/01	5.000	104.0800	2.78	-0.01	-	-0.24	-1.49
	03/09	3.750	97.2500	4.09	-0.04	-0.02	-0.21	-1.04
Canada	12/00	5.000	100.3707	4.75	+0.06	-0.25	-0.18	-0.19
	06/08	6.000	106.5000	5.10	-0.06	-0.07	-0.01	-0.37
Denmark	11/00	9.000	108.6700	3.07	-0.03	-0.06	-0.24	-1.43
	11/09	6.000	114.7700	4.23	-0.03	+0.01	-0.17	-1.06
Finland	06/00	4.000	101.4900	2.63	-0.02	-0.02	-0.29	-1.23
	04/09	5.000	107.5800	4.06	-	+0.02	-0.23	-0.97
France	07/00	4.000	101.5800	2.82	-0.01	-0.02	-0.28	-1.53
	04/06	7.250	123.0200	3.47	-0.02	-0.01	-0.24	-1.35
	04/09	4.000	100.3000	3.96	-0.02	+0.02	-0.21	-1.10
	04/29	5.500	109.5400	4.89	-0.01	+0.04	-0.19	-0.70
Germany	05/01	5.000	104.5400	2.88	-0.03	-0.05	-0.25	-1.35
	01/06	6.000	114.3800	3.54	-0.05	-0.03	-0.27	-1.33
	01/09	3.750	98.4000	3.82	-0.05	-0.01	-0.21	-1.23
	07/28	4.750	98.5800	4.84	-0.03	+0.02	-0.19	-0.75
Greece	03/00	9.800	100.5300	9.04	-0.01	-0.31	-0.21	-0.79
	01/09	6.300	103.4500	5.82	-0.03	-0.12	-0.13	-2.17
Ireland	10/01	6.500	108.6000	2.83	-0.01	+0.01	-0.23	-2.30
	08/08	6.000	116.2500	3.88	-0.03	-0.02	-0.28	-1.32
Italy	07/01	4.500	103.4700	2.83	-0.01	-	-0.22	-1.76
	07/03	4.500	105.1700	3.17	-0.03	-0.01	-0.22	-1.67
	05/09	4.500	103.5800	4.06	-0.02	-	-0.19	-1.15
	11/27	6.500	121.4500	5.07	-0.01	+0.02	-0.18	-0.65
Japan	12/00	6.900	110.9030	0.17	-0.01	+0.03	-0.04	-0.25
	12/03	4.100	115.7980	0.63	-	+0.07	-0.17	-0.43
	06/08	1.800	104.1490	1.32	-	-0.01	-0.27	-0.20
	09/18	2.300	100.7420	2.25	-	-0.01	-0.21	-0.13
Netherlands	01/01	9.000	110.2500	2.72	-0.02	-0.07	-0.25	-1.46
	07/08	3.750	98.0600	3.98	-0.04	-0.01	-0.19	-1.04
New Zealand	02/01	8.000	105.4315	4.73	-	-	-0.11	-3.05
	07/09	7.000	108.9757	5.82	+0.03	+0.10	-0.06	-1.11
Norway	05/01	7.000	104.3500	4.74	-0.02	+0.09	-0.10	+0.24
	05/09	5.500	105.1000	4.72	-0.05	+0.06	-0.20	-0.71
Portugal	03/00	5.375	102.3100	2.67	-0.03	+0.04	-0.30	-1.60
	06/08	5.375	108.6200	4.09	-0.02	-0.02	-0.17	-1.08
Spain	01/01	5.000	103.9100	2.66	-0.02	-0.04	-0.22	-1.61
	07/09	0.000	107.5400	4.09	-0.04	-0.01	-0.41	-1.07
Sweden	05/00	10.250	107.0190	3.00	-0.02	+0.03	-0.04	-1.76
	05/08	6.500	117.0330	4.19	-0.05	+0.03	-0.20	-1.15
Switzerland	06/00	4.500	103.6500	1.12	-0.03	-0.02	-0.26	-0.81
	01/08	4.250	116.4500	2.15	-0.04	-0.08	-0.18	-0.98
UK	11/01	7.000	104.6100	5.03	-0.04	+0.09	+0.25	-1.54
	12/03	6.500	107.1300	4.76	-0.05	+0.06	+0.15	-1.18
	12/09	5.750	110.0200	4.55	-0.05	+0.03	+0.03	-1.33
	12/28	6.000	123.8800	4.53	-0.07	+0.05	+0.03	-1.30
US	01/01	4.500	99.2264	4.97	-0.06	-0.07	-0.02	-0.77
	02/04	4.750	98.6454	5.07	-0.05	-0.08	-0.01	-0.80
	11/08	4.750	96.6008	5.21	-0.05	-0.04	+0.01	-0.67
	02/29	5.250	95.9255	5.53	-0.05	-0.08	-0.05	-0.57

London closing * New York mid day. Source: Interactive Data/FT Information

Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

Apr 29	Bid Yield	Spread vs Euros	Spread vs T-Bonds		Bid Yield	Spread vs Euros	Spread vs T-Bonds
Australia	5.58	+1.76	+0.38	Netherlands	3.95	+0.13	-1.25
Austria	3.98	+0.16	-1.22	New Zealand	5.82	+2.00	+0.62
Belgium	4.10	+0.28	-1.10	Norway	4.72	+0.90	-0.48
Canada	5.10	+1.28	-0.10	Portugal	4.08	+0.26	-1.12
Denmark	4.21	+0.39	-0.99	Spain	4.05	+0.23	-1.15
Finland	4.05	+0.23	-1.15	Sweden	4.25	+0.43	-0.95
France	3.96	+0.14	-1.24	Switzerland	2.41	-1.41	-2.79
Germany	3.82	-	-1.38	UK	4.61	+0.79	-0.59
Greece	5.78	+1.96	+0.58	US	5.20	+1.38	-
Ireland	3.93	+0.11	-1.27				
Italy	4.10	+0.28	-1.10				
Japan	1.43	-2.39	-3.77				

Source: Interactive Data/FT Information London closing * New York closing. Annualised yield basis.

EMERGING MARKET BONDS

Apr 29	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
EUROPE								
Croatia	02/02	7.000	BBB-	92.6000	10.08	-0.07	+0.61	+5.08
Poland	07/04	7.125	BBB-	104.0000	6.19	+0.19	-0.18	+1.13
Russia	06/07	10.000	n/a	38.5000	31.12	-0.23	-9.61	+25.98
LATIN AMERICA								
Argentina	09/27	9.750	BB	88.5200	11.35	-0.02	-0.45	+5.85
Brazil	05/27	10.125	B+	78.3700	13.03	-0.08	-1.29	+7.53
Mexico	05/26	11.500	BB	118.9000	9.54	-0.05	-0.81	+4.06
ASIA								
China	07/06	7.750	BBB+	105.3641	6.79	-0.04	-0.64	+1.67
Philippines	10/16	8.750	BB+	95.6258	9.26	+0.04	-0.24	+3.94
Thailand	04/07	7.750	BBB-	103.2174	7.21	+0.05	-0.35	+2.07
AFRICA/MIDDLE EAST								
Lebanon	07/00	9.125	BB-	102.8475	6.80	+0.16	-1.40	+1.66
South Africa	10/06	8.375	BB+	102.6871	7.89	-0.05	-0.62	+2.77
Turkey	09/07	10.000	B	94.5500	11.01	-0.08	-0.56	+5.87
BRADY BONDS								
Argentina	03/23	5.750	BB	70.8750	8.98	-0.07	-0.18	+3.55
Brazil	04/14	5.000	B+	69.1250	12.14	-0.31	-1.07	+6.86
Mexico	12/19	6.250	BB	80.3750	8.24	-0.05	-0.23	+2.87
Venezuela	03/20	6.750	B+	74.1250	9.65	-0.16	-1.15	+4.27

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information.

BOND FUTURES AND OPTIONS

France

■ NOTIONAL EURO BOND FUTURES (MATIF) €100,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.78	96.15	+0.18	96.20	95.78	31,677	88,770
Sep	-	95.93	+0.18	-	-	0	0

■ LONG TERM EURO BOND OPTIONS (MATIF)

Strike Price	Calls May	Calls Jun	Calls Jul	Puts May	Puts Jun	Puts Jul
93	3.29	3.31	-	-	0.03	-
94	2.29	2.36	-	-	0.08	-
95	1.33	1.50	-	0.01	0.34	-
96	0.52	0.80	-	0.10	0.74	-

Est. vol. total, Calls n/a Puts n/a. Previous day's open int., Calls n/a Puts n/a.

Germany

■ NOTIONAL EURO BUND FUTURES (EUREX) €100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	115.50	116.02	+0.55	116.09	115.47	555,264	544,298
Sep	115.24	115.78	+0.57	115.83	115.24	9,175	38,756

■ NOTIONAL EURO BOND (BOBL) FUTURES (EUREX) €100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	109.64	109.83	+0.21	109.90	109.63	124,953	244,521

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	114.58	114.90	+0.23	114.99	114.45	10682	38308

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF) €100,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	98.84	99.14	+0.25	99.14	98.70	16,218	23,332

UK

■ NOTIONAL 5 YEAR GILT FUTURES (LIFFE) £100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	108.43	+1.11	-	-	0	0
Sep	-	108.43	+1.11	-	-	0	0

■ NOTIONAL UK GILT FUTURES (LIFFE)* £100,000 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	116.01	116.58	+0.50	116.70	116.00	35984	89258
Sep	-	116.28	+0.50	-	-	0	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

■ LONG GILT FUTURES OPTIONS (LIFFE) £100,000 100ths of 100%

Strike Price	Calls Jul	Calls Sep	Puts Jul	Puts Sep
11600	1.24	1.74	0.96	1.46
11650	0.99	1.49	1.21	1.71
11700	0.78	1.27	1.50	1.99
11750	0.60	1.07	1.82	2.29
11800	0.45	0.89	2.17	2.61
11850	0.33	0.74	2.55	2.96

Est. vol. total, Calls 106 Puts 536. Previous day's open int., Calls 11459 Puts 6714

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	121-12	122-08	+0-26	122-16	121-10	208,679	576,339
Sep	120-30	121-25	+0-27	122-00	120-29	2,702	43,316
Dec	-	120-11	-	-	-	38	4,578

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	135.05	135.10	-	135.15	135.05	92	n/a
Sep	-	134.27	-	-	-	0	n/a

Euro

■ € BOND FUTURES (MATIF) €100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	108.40	108.90	+0.54	108.40	108.40	1	20

■ NOTIONAL EFB SWAP FUTURES (LIFFE)* 5yr 4.0% €100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	102.50	+0.16	-	-	0	314

■ NOTIONAL EFB SWAP FUTURES (LIFFE)* 10yr 4.5% €100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	101.93	+0.27	-	-	0	367

* Traded on APT prior to listing on LIFFE CONNECT™ on 10/5/99. All open interest figs. are for previous day.

INTEREST RATE SWAPS

Apr 29	Euro-€ Bid	Euro-€ Ask	£ Stg Bid	£ Stg Ask	SwFr Bid	SwFr Ask	US $ Bid	US $ Ask	Yen Bid	Yen Ask
1 year	2.71	2.74	5.38	5.41	1.19	1.23	5.25	5.28	0.17	0.20
2 year	2.83	2.87	5.47	5.50	1.44	1.52	5.45	5.48	0.26	0.29
3 year	3.00	3.04	5.53	5.57	1.71	1.79	5.59	5.62	0.43	0.46
4 year	3.21	3.25	5.51	5.55	1.94	2.02	5.67	5.70	0.64	0.67
5 year	3.41	3.46	5.46	5.50	2.16	2.24	5.74	5.77	0.87	0.90
6 year	3.61	3.65	5.42	5.46	2.37	2.45	5.80	5.83	1.09	1.12
7 year	3.80	3.84	5.39	5.43	2.56	2.64	5.85	5.88	1.29	1.32
8 year	3.98	4.02	5.38	5.42	2.74	2.82	5.89	5.92	1.47	1.50
9 year	4.13	4.17	5.37	5.41	2.91	2.99	5.93	5.96	1.62	1.65
10 year	4.24	4.28	5.37	5.41	3.06	3.14	5.97	6.00	1.76	1.79
12 year	4.41	4.45	5.38	5.42	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
15 year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
20 year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
30 year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible] Source: Intercapital Brokers Limited.

US CORPORATE BONDS

Apr 28	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
UTILITIES								
Pac Bell	07/02	7.25	AA-	104.4800	5.67	-	-0.07	+5.67
NY Tel	08/25	7.00	A+	98.2413	7.14	+0.01	-0.02	+1.57
CWE	05/08	8.00	BBB	112.3023	6.20	+0.03	-0.10	+0.95
FINANCIALS								
GECC	05/07	8.75	AAA	117.2843	6.00	+0.02	-0.04	+0.75
Banc One	08/02	7.25	A	104.0742	5.84	-	-0.04	+5.84
CNA Fin	01/18	6.95	A-	95.0542	7.44	+0.03	-0.17	+1.87
INDUSTRIALS								
WMX Tech	04/99	6.25	BBB+	100.0000	5.39	-0.14	-0.33	+0.91
Wal Mart	05/02	6.75	AA	103.6525	5.42	-	-0.03	+5.42
Dayton Hud	08/21	9.70	A-	132.0988	6.85	+0.02	-0.11	+1.28
AGENCIES								
FHLMC	04/07	7.14	N/A	108.1798	5.83	+0.02	-0.05	+0.58
SLMA	03/00	7.50	N/A	101.8296	5.27	+0.07	-0.02	+0.79
FNMA	02/18	8.95	N/A	129.8884	6.22	+0.11	+0.07	+0.65
FFCB	06/06	8.95	N/A	118.5657	5.72	+0.02	-0.22	+0.47
HIGH YIELD								
Stone Cont	02/01	9.88	B	101.7500	0.00	-	-	-
AK Stl	12/01	9.13	BB-	105.7500	0.00	-	-	-
Pacalta	06/04	10.75	B-	111.0000	0.00	-	-	-

NY latest. Standard & Poor's ratings. Yields: semi-annual basis. Source: Interactive Data/FT Information.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	4.95
Prime rate	7¾	Two month	-	Three year	4.99
Broker loan rate	6½	Three month	4.50	Five year	5.07
Fed.funds	4⅞	Six month	4.58	10-year	5.21
Fed.funds at intervention	4⅞	One year	4.68	30-year	5.53

INTERNATIONAL BONDS

Apr 29	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
$								
EIB	04/07	7.250	AAA	108.5161	5.88	-0.07	-0.05	+0.74
ABN Amro	08/07	7.125	AA-	104.2691	6.43	-0.07	-0.05	+1.29
Quebec	01/07	7.000	A+	105.5366	6.09	-0.06	-0.05	+0.95
Citicorp FRN	02/04	5.066	AA-	99.2214	5.25	-0.07	-0.01	+0.19
C$								
Bayer L-Bk	08/04	9.500	AAA	117.8856	5.49	-0.07	-0.10	+0.22
Toronto (M of)	05/04	8.500	AA+	113.1213	5.46	-0.07	-0.10	+0.19
Bell Canada	07/99	10.625	A+	100.9789	5.17	-0.07	-0.22	+1.27
Deutsche B FRN	09/02	5.875	AA+	100.7363	5.63	-0.08	-0.04	+0.54
£								
EIB	12/07	7.625	AAA	115.4484	5.33	-0.06	+0.03	+0.57
Dresdner Bk	12/07	7.750	AA-	111.0106	6.06	-0.06	+0.04	+1.30
British Gas	03/00	7.625	A+	101.7281	5.58	-0.03	-0.02	+0.54
Abbey Nat FRN	02/02	5.587	AA	99.9373	5.15	-0.05	+0.29	+0.20
SFR								
EIB	01/08	3.750	AAA	104.5739	3.14	-0.04	-0.17	+0.94
Brit Columbia	02/02	3.250	AA	104.0052	1.77	-0.01	-0.15	+0.22
Hydro-Quebec	05/01	6.750	n/a	108.7519	2.32	-0.02	-0.19	+1.01
Gen Elect	09/01	1.280	n/a	99.7189	1.32	-0.01	-0.17	+0.01
YEN								
IBRD (World Bk)	03/02	5.250	AAA	114.1104	0.32	+0.03	-0.13	-0.01
Spain (Kingdom)	03/02	5.750	AA+	115.6372	0.30	+0.01	-0.18	-0.03
Cred Foncier	08/02	4.750	A	112.5780	0.83	-	-0.10	+0.50
Italy (Rep of)	07/99	0.207	AA	99.9889	0.26	-0.03	+0.02	+0.05
A$								
IBRD (World Bk)	02/08	6.000	AAA	101.6473	5.75	+0.10	-0.01	+0.20
Nw Sth Wales Tr	05/06	6.500	n/a	103.8700	5.82	+0.10	+0.03	+0.38
S. Aus Gov Fin	06/03	7.750	AA	107.2557	5.73	+0.09	-0.01	+0.56
GMAC Aust	05/01	9.000	n/a	106.7489	5.43	+0.07	-0.10	+0.52

London closing. Source: Interactive Data/FT Information

Standard & Poor's ratings. Yields: Local market standard/Annualised basis.

UK BONDS

FTSE Actuaries Government Securities

Price Indices UK Gilts	Thu Apr 29	Day's chge %	Accrued interest	xd adj ytd	Total Return	Duration Yield	Duration Years	% Weight
1 Up to 5 years (15)	120.55	+0.12	2.24	2.84	1208.63	4.93	2.27	33.35
2 5-10 years (11)	169.48	+0.36	3.10	2.41	1331.77	4.75	5.78	29.59
3 10-15 years (7)	184.31	+0.66	2.86	2.65	1452.49	4.65	8.64	13.67
4 5-15 years (18)	173.79	+0.45	3.02	2.48	1366.37	4.71	6.68	43.25
5 Over 15 years (4)	230.47	+0.78	4.44	1.23	1575.16	4.63	11.75	22.62
6 Irredeemables (4)	319.47	+1.29	4.84	2.21	1866.69	4.74	21.25	0.78
7 All stocks (41)	164.95	+0.42	3.00	2.54	1354.26	4.70	6.45	100.00

UK Indices

Index-linked	Thu Apr 29	Day's chge %	Accrued interest	xd adj ytd	Total Return	% Weight
1 Up to 5 years (2)	224.20	-0.01	1.67	1.26	1170.81	14.66
2 Over 5 years (9)	259.88	+0.37	1.39	2.74	1414.78	85.34
3 5-15 years (5)	242.69	+0.12	1.40	2.32	1315.32	42.22
4 Over 15 years (4)	275.72	+0.61	1.35	3.20	1506.74	43.12
5 All stocks (11)	253.31	+0.31	1.43	2.48	1379.98	100.00

Yield indices	Apr 29	Apr 28	Yr ago	Yield indices	Apr 29	Apr 28	Yr ago
5 yrs	4.83	4.89	6.08	Irred †	4.74	4.80	5.96
10 yrs	4.69	4.75	5.90	Med. 15 yrs	4.66	4.73	5.87
15 yrs	4.65	4.71	5.87	High 15 yrs	4.74	4.80	5.96
20 yrs	4.64	4.70	5.85				

Coupon Bands: Medium: 8%-10¾%, High: 11% and over. † Flat yield. ytd Year to date

Real yield	Inflation 0% Apr 29	Inflation 0% Dur yrs	Inflation 0% Apr 28	Inflation 0% Yr ago	Inflation 5% Apr 29	Inflation 5% Dur yrs	Inflation 5% Apr 28	Inflation 5% Yr ago
Up to 5 yrs	3.34	3.17	3.34	3.63	2.48	3.17	2.47	2.78
Over 5 yrs	2.05	13.31	2.08	3.04	1.85	13.41	1.87	2.82
5-15 yrs	2.12	9.56	2.13	3.16	1.84	9.60	1.85	2.82
Over 15 yrs	2.02	17.04	2.05	3.00	1.86	17.13	1.89	2.82
All Stocks	2.10	11.74	2.13	3.06	1.87	11.87	1.90	2.82

FT Fixed Interest Indices

	Apr 29	Apr 28	Apr 27	Apr 26	Apr 23	Yr ago	High*	Low*
Govt. Secs. (UK)	110.54	110.09	110.39	110.79	111.05	104.77	117.17	93.31
Fixed Interest	154.18	153.87	154.35	154.71	154.93	141.63	158.45	115.32

 * for 1999. Government Securities high since compilation: 127.40 (1/9/35), low 49.18 (1/3/75). Fixed interest high since compilation: 158.45 (22/01/99), low 50.33 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE Activity indices rebased 1974

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

Kosovo gloom restrains euro's rally

MARKETS REPORT

By Christopher Swann

Gloom over the receding prospect of a Balkan peace deal continued to depress the euro yesterday, undoing the effects of a mounting campaign of verbal intervention by euro-zone officials.

Renewed fears that the Balkan crisis would engulf Macedonia and Albania compounded disappointment earlier in the week at the dismissal of Vuk Draskovic, Yugoslavia's deputy prime minister and a leading advocate of conciliation with NATO.

By the end of London trading the euro had dipped to $1.059.

"This takes us back to where we were before the flurry of euro-friendly comments from members of the European Central Bank," said Neil Parker, treasury economist at the Royal Bank of Scotland.

Meanwhile the yen received a brief lift from Taichi Sakaiya, Economic Planning Agency chief, who said that Japan's economy was on the mend. But overall the yen traded sideways to close little changed on the day at Y119.1 against the dollar.

■ Just days into their verbal offensive, euro-zone central bankers seem to be suffering from diminishing returns.

Comments yesterday by Jürgen Stark, deputy president of the Bundesbank, that the weakness of the euro was "temporary" failed to stop the currency dipping below $1.06.

"The impact of jawboning appears to be fading quite fast," said Robin Marshall, chief economist at Chase Manhattan in London.

Most of the voices supporting the euro, he added, seemed more concerned with the pace of decline than the level itself.

Others said that the market could now seek to probe lower levels in search of the ECB's pain threshold. "This could lead to another bout of selling unless the ECB is prepared to back up its rhetoric," argued Neil Parker.

France's INSEE industrial trends survey yesterday showed no signs of a revival of business confidence to back up euro-supportive comments.

■ Reported heavy purchasing by hedge funds yesterday pushed the Australian dollar to a 12-month high against the dollar, amid signs the currency was developing a head of steam.

By the end of the London session it had firmed to $0.6592 against the dollar.

Market speculation centred around activity by the Tiger and Quantum funds. Analysts said hedge funds may be using the Aussie as a proxy for Asian emerging market currencies, which offer less liquidity.

A return of confidence in Asia coupled with buoyant commodity prices should ensure a sustained rally in the currency, said James McKay, global markets strategist at Commonwealth Bank of Australia. "Our fair value rate for the Australian dollar, based on commodity prices, has gone as high as $0.6634," he added. "Over the next six months we could see the Aussie passing $0.70."

Robust raw material prices also pushed up other commodity currencies such as the Canadian dollar.

■ Sterling held on to recent gains against the euro yesterday, as a consensus grew in the market that the Bank of England's monetary policy committee would leave interest rates unchanged at its next meeting.

With volatility in the currency markets ebbing as Japan entered its "golden week" holiday, analysts said that investors were focusing on interest rate differentials. "Against this safe backdrop sterling is attracting a steady inflow of short-term capital as investors seek to park their money in high-yielding assets, increasing the appeal of sterling," said Paul Meggyesi, currency strategist at Deutsche Bank.

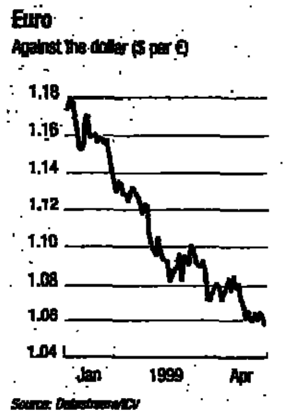
But its gains were capped by growing speculation that monetary authorities had become frustrated by sterling's refusal to weaken in response to interest rate cuts.

"As sterling pushes towards DM3.0 in old money the bank will begin to talk of another rate cut in a bid to ease the pain of the manufacturing sector," said Kit Juckes, chief strategist at NatWest GFM in London.

Sterling closed at £0.657 against the euro yesterday.

Euro

Against the dollar ($ per €)



Source: Datastream/ICV

POUND IN NEW YORK

Apr 29	— Latest —	— Prev. close —
£ spot	1.6090	1.6140
1 mth	1.6085	1.6135
3 mth	1.6078	1.6128
1 yr	1.6060	1.6132

OTHER CURRENCIES

Apr 29	£	$
Czech Rp	57.3082 - 57.3732	35.5740 - 35.5970
Hungary	380.881 - 381.416	236.440 - 236.640
Iran	4836.40 - 4832.70	3000.00 - 3008.00
Kuwait	0.4916 - 0.4922	0.3052 - 0.3054
Peru	5.3892 - 5.3915	3.3430 - 3.3450
Poland	6.4017 - 6.4101	3.9740 - 3.9770
Russia	38.8543 - 39.2473	24.2300 - 24.3500
UAE	5.9165 - 5.9203	3.6726 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Apr 29		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria*	(Sch)	20.9354	+0.0342	256 - 452	20.9837	20.8778	20.8987	2.8	20.7961	2.7	20.4078	2.5	102.2
Belgium*	(BFr)	61.3745	+0.1002	457 - 032	61.5178	61.2060	61.2315	2.8	60.968	2.7	59.828	2.5	101.5
Denmark	(DKr)	11.3067	+0.0153	026 - 107	11.3320	11.2742	11.2868	2.2	11.246	2.1	11.074	2.1	104.5
Finland*	(FM)	9.0451	+0.0148	418 - 503	9.0570	9.0219	9.025	2.8	8.9859	2.7	8.8182	2.5	80.3
France*	(FFr)	9.9800	+0.0163	753 - 846	10.0030	9.9524	9.9597	2.8	9.9139	2.7	9.7289	2.5	104.7
Germany*	(DM)	2.9757	+0.0049	743 - 771	2.9832	2.9674	2.9695	2.8	2.9559	2.7	2.9008	2.5	102.0
Greece	(Dr)	496.747	-0.4670	367 - 128	498.083	495.468	498.433	-4.1	501.816	-3.8	512.173	-3.1	61.4
Ireland*	(I£)	1.1983	+0.0020	977 - 988	1.2010	1.1949	1.1955	2.8	1.1903	2.7	1.1681	2.5	91.7
Italy*	(L)	2945.81	+4.8100	453 - 728	2952.70	2937.80	2939.85	2.8	2926.3	2.7	2871.88	2.5	74.7
Luxembourg*	(LFr)	61.3745	+0.1002	457 - 032	61.5170	61.2060	61.2315	2.8	60.968	2.7	59.828	2.5	101.5
Netherlands*	(Fl)	3.3528	+0.0054	512 - 544	3.3605	3.3436	3.346	2.8	3.3305	2.7	3.2683	2.5	100.7
Norway	(NKr)	12.5836	-0.0091	755 - 922	12.6148	12.5421	12.6018	-1.7	12.6274	-1.4	12.6325	-0.4	94.9
Portugal*	(Es)	305.820	+0.4990	677 - 163	306.716	304.188	304.31	2.8	302.98	2.7	297.335	2.5	91.2
Spain*	(Pta)	253.145	+0.4130	027 - 264	253.720	252.450	252.655	2.8	251.48	2.7	246.767	2.5	75.8
Sweden	(SKr)	13.5404	-0.0071	285 - 522	13.5685	13.4498	13.5144	2.3	13.4844	2.2	13.253	2.1	81.5
Switzerland	(SFr)	2.4475	+0.0048	460 - 490	2.4505	2.4377	2.4393	4.5	2.4213	4.3	2.3509	3.9	105.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	104.1
Euro	(€)	1.5214	+0.0024	207 - 221	1.5258	1.5171	1.5178	2.8	1.5112	2.7	1.483	2.5	-
SDR†	-	1.194600	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6112	-0.0037	107 - 116	1.6172	1.6085	-	-	-	-	-	-	-
Brazil	(R$)	2.6837	-0.0586	789 - 885	2.7172	2.6743	-	-	-	-	-	-	-
Canada	(C$)	2.3647	-0.0292	632 - 661	2.3707	2.3594	2.3637	0.5	2.3617	0.5	2.3533	0.5	80.3
Mexico	(New Peso)	14.9306	-0.0782	218 - 398	15.0095	14.9215	15.1349	-16.4	15.5478	-15.5	17.6414	-18.2	-
USA	($)	1.6114	-0.0037	109 - 119	1.6174	1.6097	1.6108	0.4	1.6102	0.3	1.6102	0.1	108.3
Pacific/Middle East/Africa													
Australia	(A$)	2.4440	-0.0277	422 - 458	2.4727	2.4422	2.443	0.5	2.4413	0.4	2.4365	0.3	84.9
Hong Kong	(HK$)	12.4883	-0.0296	840 - 925	12.5352	12.4763	12.4844	0.4	12.488	0.1	12.4842	-0.0	-
India	(Rs)	68.8689	-0.1908	382 - 012	69.2450	68.8385	69.2024	-4.1	69.8734	-5.2	73.8684	-8.7	-
Indonesia	(Rupiah)	13172.81	-579.78	656 - 706	13719.00	13088.58	13421.89	-22.7	13847.51	-20.5	15408.24	-17.7	-
Israel	(Shk)	6.7057	+0.0268	955 - 159	6.7159	6.6473	-	-	-	-	-	-	-
Japan	(Y)	191.952	-0.4955	839 - 064	192.720	191.310	191.077	5.5	189.482	5.1	182.492	5.0	131.7
Malaysia‡	(M$)	6.1231	-0.0142	518 - 581	6.1451	6.1170	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.8986	-0.0286	031 - 000	2.9292	2.8931	2.8945	0.8	2.8914	0.7	2.8821	0.5	-
Philippines	(Peso)	61.2717	-0.1022	331 - 002	61.4850	61.2995	61.5488	-4.4	62.0491	-4.7	64.2635	-4.9	-
Saudi Arabia	(SR)	6.0433	-0.0142	414 - 452	6.0656	6.0380	6.0449	-0.3	6.053	-0.5	6.1088	-1.0	-
Singapore	(S$)	2.7337	-0.0085	321 - 352	2.7480	2.7314	2.7241	4.2	2.7069	3.9	2.6492	3.1	-
South Africa	(R)	9.7848	-0.0025	580 - 715	9.7958	9.7538	9.8371	-8.9	9.9726	-8.5	10.5251	-7.8	-
South Korea	(Won)	1894.14	-11.2700	281 - 548	1902.33	1892.81	-	-	-	-	-	-	-
Taiwan	(T$)	52.6783	-0.1112	587 - 978	52.8712	52.6291	52.676	0.1	52.688	-0.1	52.9145	-0.4	-
Thailand	(Bt)	60.2242	-0.1887	671 - 813	60.5150	60.1671	60.187	0.7	60.2528	-0.2	60.8254	-1.0	-

† Rates for Apr 28. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. * EMU member. The exchange rates printed in this table are also available on the internet at http://www.FT.com.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 29		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
Europe													
Austria*	(Sch)	12.9925	+0.0513	900 - 949	13.0035	12.9350	12.9898	2.4	12.9154	2.4	12.6741	2.5	101.8
Belgium*	(BFr)	38.0889	+0.1505	817 - 960	38.1210	37.9210	38.0135	2.4	37.8631	2.4	37.1557	2.5	101.6
Denmark	(DKr)	7.0189	+0.0059	149 - 198	7.0240	6.9814	7.0092	1.8	6.9944	1.9	6.8774	2.0	103.8
Finland*	(FM)	5.6140	+0.0222	129 - 150	5.6187	5.5881	5.6029	2.4	5.5807	2.4	5.4764	2.5	79.6
France*	(FFr)	6.1936	+0.0245	924 - 947	6.1966	6.1624	6.1813	2.4	6.1569	2.4	6.0419	2.5	104.1
Germany*	(DM)	1.8467	+0.0073	463 - 470	1.8483	1.8385	1.8431	2.3	1.8358	2.4	1.8014	2.5	102.0
Greece	(Dr)	308.280	+1.0050	130 - 430	308.580	306.790	308.435	-4.5	311.59	-4.2	316.08	-3.2	61.1
Ireland*	(I£)	1.3448	-0.0054	445 - 450	1.3507	1.3436	1.3475	-2.4	1.3528	-2.4	1.3786	-2.5	-
Italy*	(L)	1828.22	+7.2200	786 - 857	1829.78	1820.14	1824.81	2.4	1817.28	2.4	1783.43	2.4	74.5
Luxembourg*	(LFr)	38.0889	+0.1505	817 - 960	38.1210	37.9210	38.0135	2.4	37.8631	2.4	37.1557	2.5	101.6
Netherlands*	(Fl)	2.0807	+0.0082	803 - 811	2.0825	2.0715	2.0769	2.4	2.0684	2.4	2.0298	2.4	100.7
Norway	(NKr)	7.8065	+0.0125	065 - 125	7.8190	7.7664	7.8232	-2.1	7.8422	-1.7	7.8453	-0.5	94.0
Portugal*	(Es)	189.786	+0.7480	259 - 330	189.480	188.460	189.92	2.4	189.173	2.4	184.657	2.5	91.7
Spain*	(Pta)	157.101	+0.6200	072 - 131	157.230	156.410	156.78	2.4	156.17	2.4	153.252	2.5	75.6
Sweden	(SKr)	8.4031	+0.0151	981 - 081	8.4154	8.3583	8.3899	1.9	8.362	2.0	8.2306	2.1	81.2
Switzerland	(SFr)	1.5189	+0.0065	184 - 194	1.5198	1.5110	1.5136	4.0	1.5037	4.0	1.46	3.9	105.5
UK	(£)	1.6114	-0.0037	109 - 118	1.6174	1.6097	1.6108	0.4	1.6102	0.3	1.6102	0.1	103.7
Euro	(€)	1.0591	-0.0042	589 - 593	1.0636	1.0578	1.0612	-2.4	1.0654	-2.4	1.0857	-2.5	-
SDR†	-	0.73930	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9999	-	-	-	-	-	-	-
Brazil	(R$)	1.6655	-0.0325	630 - 680	1.6800	1.6580	-	-	-	-	-	-	-
Canada	(C$)	1.4675	-0.0091	670 - 680	1.4730	1.4650	1.4674	0.1	1.4667	0.2	1.4614	0.4	79.8
Mexico	(New Peso)	9.2660	-0.0270	630 - 690	9.2700	9.2500	9.395	-16.8	9.656	-16.8	10.856	-18.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	109.4
Pacific/Middle East/Africa													
Australia	(A$)	1.5168	-0.0135	161 - 175	1.5319	1.5161	1.5164	0.3	1.5159	0.2	1.5153	0.1	84.8
Hong Kong	(HK$)	7.7502	-0.0004	497 - 507	7.7512	7.7497	7.7505	0.0	7.7545	-0.2	7.8277	-1.0	-
India	(Rs)	42.7000	-0.0775	550 - 100	42.8330	42.7050	42.9625	-4.5	43.395	-5.5	45.71	-6.8	-
Indonesia	(Rupiah)	8175.00	-340.00	500 - 500	8500.00	8125.00	8332.5	-23.1	8600	-20.8	9625	-17.7	-
Israel	(Shk)	4.1616	+0.0263	584 - 667	4.1657	4.1275	-	-	-	-	-	-	-
Japan	(Y)	119.125	-0.0300	000 - 175	119.390	118.830	118.825	3.0	117.675	4.9	113.28	4.9	133.0
Malaysia‡	(M$)	3.8000	-	500 - 500	3.8000	3.7998	-	-	-	-	-	-	-
New Zealand	(NZ$)	1.7970	-0.0159	960 - 992	1.8008	1.7985	1.7958	1.2	1.7941	0.6	1.7945	0.2	-
Philippines	(Peso)	38.0250	+0.0250	000 - 500	38.1500	37.9000	38.211	-5.9	38.535	-5.4	39.8325	-5.0	-
Saudi Arabia	(SR)	3.7505	-	503 - 508	3.7508	3.7503	3.7526	-0.7	3.7568	-0.9	3.7825	-1.1	-
Singapore	(S$)	1.6966	-0.0013	960 - 970	1.7015	1.6920	1.6911	3.8	1.6811	3.8	1.6452	3.0	-
South Africa	(R)	6.0800	+0.0125	575 - 625	6.0700	6.0530	6.107	-6.3	6.1935	-4.8	6.5395	-7.9	-
South Korea	(Won)	1175.50	-4.2500	500 - 600	1178.50	1175.00	-	-	-	-	-	-	-
Taiwan	(T$)	32.6920	+0.0070	890 - 950	32.6950	32.6850	32.702	-0.4	32.772	-0.4	32.862	-0.5	-
Thailand	(Bt)	37.3750	-0.0300	500 - 000	37.4400	37.2600	37.365	0.3	37.42	-0.5	37.775	-1.1	-

† SDR rate per $ for Apr 28. ‡ Official rate set by Malaysian government. The WM/Reuters rate for the valuation of capital assets is 4.25 MYR/USD, a discount of 20% on the official rate. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. J.P. Morgan nominal indices Apr 28: Base average 1990=100. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS 4pm CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T. * EMU member. The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

Apr 29	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Euro–zone	2½	2½	2⅝	2⅝	2¾	–	–	2.50
Switzerland	1¼	⅞	⅞	⅞	1⅛	–	1.00	–
US	4⅞	4⅞	4⅞	4⅞	5⅛	–	4.50	–
Japan	⅛	⅛	⅛	⅛	⅛	–	0.50	–
■ $ LIBOR BBA London								
Interbank Fixing	–	4⅞	5	5⅛	5⅛	–	–	–
US Dollar CDs	–	4.75	4.78	4.81	4.98	–	–	–
Euro Linked Ds	–	3¼	3⅛	3⅛	3⅛	–	–	–
SDR Linked Ds	–	3⅜	3¼	3⅛	3⅛	–	–	–
BBA Euro Libor	–	2⅝	2⅝	2⅝	2⅝	–	–	–
Euro Euribor	–	2.569	2.585	2.605	2.678	–	–	–
EONIA	2.52	–	–	–	–	–	–	–
EURONIA	2.5196	–	–	–	–	–	–	–

London Interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am. Mid rates are shown for the domestic Money Rates, US$ CDs, Euro & SDR Linked Deposits (Ds).

INTERNATIONAL CURRENCY RATES

Apr 29	Short term	7 days notice	One month	Three months	Six months	One year
Euro	2¾ - 2⅝	2⅝ - 2⅝	2⅝ - 2½	2⅝ - 2½	2⅝ - 2½	2⅞ - 2⅝
Danish Krone	3⅝ - 3¼	3¼ - 2⅞	3¼ - 2⅞	3¼ - 2⅞	3¼ - 2⅞	3¼ - 2⅞
Sterling	5¾ - 5¼	5⅜ - 5⅛	5⅜ - 5¼	5¼ - 5⅛	5¼ - 5⅛	5⅜ - 5¼
Swiss Franc	¾ - ⅝	1⅛ - ⅞	⅞ - ⅞	⅞ - ⅞	1⅛ - ⅞	1¼ - 1⅛
Canadian Dollar	5 - 4⅞	4⅝ - 4½	4⅝ - 4½	4⅝ - 4½	4⅝ - 4½	4⅝ - 4¾
US Dollar	4⅞ - 4⅝	4⅞ - 4⅝	4⅞ - 4⅝	4⅞ - 4⅝	5⅛ - 4⅞	5¼ - 5⅛
Japanese Yen	⅛ - ⅛	⅛ - ⅛	⅛ - ⅛	⅛ - ⅛	⅛ - ⅛	⅛ - ⅛
Asian $Sing	¾ - ½	1¾ - ¾	1½ - 1	1¼ - 1⅛	1½ - 1⅛	2⅛ - 1¾

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	97.400	97.405	+0.005	97.405	97.400	3,224	39,114
Sep	97.405	97.415	+0.010	97.420	97.400	1,489	32,069

■ THREE MONTH EURIBOR FUTURES (LIFFE) €1m 100-rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	97.395	97.405	+0.005	97.405	97.395	12856	212019
Sep	97.395	97.415	+0.010	97.420	97.395	21098	211088
Dec	97.205	97.230	+0.020	97.230	97.200	7782	135850
Mar	97.275	97.300	+0.020	97.305	97.270	13993	123253

■ THREE MONTH EURO LIBOR FUTURES (LIFFE) €1m 100-rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	97.400	97.405	+0.005	97.400	97.400	420	104556
Sep	97.410	97.415	+0.010	97.410	97.405	320	91799
Dec	-	97.230	+0.020	-	-	0	82107
Mar	-	97.300	+0.020	-	-	0	82190

■ EURIBOR OPTIONS (LIFFE) €1m 100-rate

Strike Price	CALLS Jun	Sep	Dec	Mar	PUTS Jun	Sep	Dec	Mar
97375	0.045				0.015			
97500	0.005	0.045	0.045	0.085	0.100	0.130	0.315	0.285
97625	0				0.220			
97750	0	0.010	0.015	0.030	0.345	0.345	0.535	0.480

Est. vol. total, Calls 6587 Puts 3150. Previous day's open int., Calls 380580 Puts 176967

■ THREE MONTH EURO LIBOR OPTIONS (LIFFE) €1m 100-rate

Strike Price	CALLS Jun	Sep	Dec	Mar	PUTS Jun	Sep	Dec	Mar
97375	0.045				0.015			
97500	0.005	0.045	0.045	0.085	0.100	0.130	0.315	0.285
97625	0				0.220			
97750	0	0.010	0.015	0.030	0.345	0.345	0.535	0.480

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 157172 Puts 96870

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m 100-rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	98.980	98.980	+0.010	99.000	98.970	10890	99348
Sep	98.880	98.900	+0.020	98.900	98.880	5962	63446
Dec	98.580	98.610	+0.030	98.610	98.580	1965	28285
Mar	98.580	98.620	+0.040	98.620	98.580	1505	16238

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m 100-rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	99.84	-0.01	-	-	0	n/a
Sep	99.79	99.79	-0.01	99.79	99.79	70	n/a
Dec	-	99.69	+0.01	-	-	0	n/a

* LIFFE futures also traded on APT

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr1m 100-rate

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
99000	0.080	0.110	0.080	0.100	0.210	0.470
99125	0.035			0.180		

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 6620 Puts 8623

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 29		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	€
Belgium*	(BFr)	100	18.42	16.26	4.848	1.952	4800	5.463	20.50	497.0	412.5	22.06	3.988	1.629	3.853	2.625	312.8	2.479
Denmark	(DKr)	54.28	10	8.827	2.632	1.060	2605	2.965	11.13	269.8	223.9	11.98	2.165	0.884	2.091	1.425	169.8	1.346
France*	(FFr)	61.50	11.33	10	2.982	1.201	2952	3.360	12.61	305.6	253.7	13.57	2.452	1.002	2.370	1.615	192.3	1.525
Germany*	(DM)	20.63	3.800	3.354	1	0.403	990.0	1.127	4.229	102.5	85.07	4.550	0.823	0.336	0.795	0.542	64.51	0.511
Ireland*	(I£)	51.22	9.436	8.329	2.483	1	2459	2.798	10.50	254.6	211.3	11.30	2.043	0.835	1.974	1.345	160.2	1.270
Italy*	(L)	2.083	0.384	0.339	0.101	0.041	100	0.114	0.427	10.35	8.593	0.460	0.083	0.034	0.080	0.055	6.516	0.052
Netherlands*	(Fl)	18.31	3.372	2.977	0.888	0.357	878.6	1	3.753	90.97	75.50	4.039	0.730	0.298	0.705	0.481	57.25	0.454
Norway	(NKr)	48.77	8.985	7.931	2.365	0.952	2341	2.664	10	242.4	201.2	10.76	1.945	0.795	1.879	1.281	152.5	1.209
Portugal*	(Es)	20.12	3.707	3.272	0.976	0.393	965.8	1.099	4.126	100	82.99	4.439	0.802	0.328	0.775	0.528	62.93	0.499
Spain*	(Pta)	24.24	4.468	3.942	1.175	0.473	1164	1.324	4.971	120.5	100	5.349	0.967	0.395	0.934	0.637	75.83	0.601
Sweden	(SKr)	45.33	8.350	7.371	2.198	0.885	2176	2.476	9.294	225.3	187.0	10	1.808	0.739	1.746	1.190	141.8	1.124
Switzerland	(SFr)	25.08	4.620	4.078	1.216	0.490	1204	1.370	5.142	124.6	103.4	5.532	1	0.409	0.966	0.658	78.43	0.622
UK	(£)	61.37	11.31	9.980	2.976	1.198	2946	3.353	12.58	305.0	253.1	13.54	2.448	1	2.365	1.611	192.0	1.521
Canada	(C$)	25.95	4.782	4.220	1.258	0.507	1246	1.418	5.322	129.0	107.0	5.726	1.035	0.423	1	0.681	81.18	0.643
USA	($)	38.09	7.017	6.194	1.847	0.744	1828	2.081	7.810	189.3	157.1	8.403	1.519	0.621	1.468	1	119.1	0.944
Japan	(Y)	31.97	5.890	5.199	1.550	0.624	1535	1.747	6.556	158.9	131.9	7.054	1.275	0.521	1.232	0.839	100	0.793
Euro	(€)	40.34	7.432	6.560	1.956	0.788	1936	2.204	8.271	200.5	166.4	8.900	1.609	0.657	1.554	1.059	126.2	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100. * EMU member.

■ D-MARK FUTURES (CME) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.5451	0.5438	–0.0010	0.5454	0.5434	7,625	33,280
Sep	–	0.5476	–0.0004	–	0.5476	33	1,285
Dec	–	0.5510	–0.0004	–	0.5510	2	155

■ SWISS FRANC FUTURES (CME) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6645	0.6629	–0.0013	0.6654	0.6621	10,066	75,123
Sep	0.6700	0.6695	–0.0014	0.6701	0.6695	106	327
Dec	–	0.6763	–0.0012	–	0.6763	4	14

■ JAPANESE YEN FUTURES (CME) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8434	0.8458	+0.0025	0.8464	0.8419	32,619	92,008
Sep	0.8560	0.8560	+0.0021	0.8560	0.8560	88	2,167
Dec	–	0.8644	–	–	–	16	1,578

■ STERLING FUTURES (CME) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.6134	1.6094	–0.0034	1.6166	1.6084	8,793	60,163
Sep	1.6080	1.6070	–0.0052	1.6130	1.6070	10	1,212
Dec	–	1.6070	–0.0052	–	1.6070	1	30

UK INTEREST RATES

LONDON MONEY RATES

Apr 29	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6⅛ - 4¾	5⅛ - 5⅛	5⅜ - 5⅛	5¼ - 5⅛	5¼ - 5⅛	5⅜ - 5¼
Sterling CDs	-	-	5¼ - 5⅛	5⅛ - 5⅛	-	-
Treasury Bills	-	-	5⅛ - 5⅛	5 - 4⅞	-	-
Bank Bills	-	-	5⅛ - 5⅛	5⅛ - 5⅛	-	-
Local authority deps.	5⅛ - 5⅛	5¼ - 5⅛	5¼ - 5⅛	5⅛ - 5⅛	5⅛ - 5	5⅛ - 5⅛
Discount Market deps	5⅛ - 5⅛	5⅛ - 5⅛	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from Apr 8, 1999

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	4	6.5	6.5	6.25	6.25

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 2pc. Ave. tender rate of discount on Apr 23, 4.8035pc. ECGD fixed rate Stlg. Export Finance. Make up day Apr 30, 1999. Agreed rate for period May 26, 1999 to June 22, 1999, Scheme III 6.56pc. Reference rate for period Apr 1, 1999 to Apr 30, 1999, Schemes IV & V 5.318pc. Finance House Base Rate 5.5pc for Apr 1999.

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.800	94.830	+0.020	94.840	94.800	20288	184055
Sep	94.830	94.860	+0.030	94.870	94.820	29865	199499
Dec	94.610	94.630	+0.030	94.650	94.580	12366	144549
Mar	94.600	94.640	+0.040	94.650	94.580	17489	142635
Jun	94.480	94.530	+0.040	94.540	94.470	13351	117382

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
94750	0.125	0.215	0.210	0.045	0.105	0.330
94875	0.055			0.100		
95000	0.025	0.095	0.115	0.195	0.235	0.485
95125	0.010			0.305		
95250	0.005	0.035	0.060	0.425	0.425	0.680
95375	0			0.545		

Est. vol. total, Calls 3981 Puts 2372. Previous day's open int., Calls 486682 Puts 595793

EMS EUROPEAN CURRENCY UNIT RATES

Apr 29	Euro cen. rates	Rate against Euro €	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Greece	353.109	326.75	+0.1	–7.46	7.67	50
Denmark	7.46038	7.4330	–0.0006	–0.37	0.00	3
NON ERM MEMBERS						
UK	0.653644	0.65840	+0.0001	0.73	–1.09	–

Euro central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Euro: a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Euro central rate. 17/9/92: Sterling suspended from ERM. 16/3/98. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS May	Jun	Jul	PUTS May	Jun	Jul
1.600	2.12	2.53	3.11	0.28	0.85	1.37
1.610	1.41	1.95	2.52	0.57	1.18	1.77
1.620	0.85	1.47	2.05	1.01	1.80	2.26

Previous day's vol., Calls 3 Puts - . Prev. day's open int., Calls 875 Puts 919

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS May	Jun	Jul	PUTS May	Jun	Jul
0.540	0.76	1.05	1.36	0.21	0.41	0.58
0.545	0.46	0.78	1.07	0.37	0.59	0.78
0.550	0.25	0.55	0.81	0.64	0.87	1.04

Previous day's vol., Calls - Puts 7 . Prev. day's open int., Calls 155 Puts 348

■ THREE MONTH EURODOLLAR (CME) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.99	95.01	+0.01	95.01	94.99	24,499	455,763
Sep	94.88	94.97	+0.09	94.97	94.88	52,100	535,932
Dec	94.61	94.69	+0.08	94.70	94.60	22,312	366,836

■ US TREASURY BILL FUTURES (CME) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	95.59	95.61	+0.02	95.61	95.59	113	1,984

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Exeter Trust Limited	6.25	Smith & Williamson	5.25
Allied Irish Bank (GB)	5.25	●Robert Fleming & Co	5.25	Sun Bank	5.25
●Henry Ansbacher	5.25	Habib Bank AG Zurich	5.25	TSB	5.25
Banco Bilbao Vizcaya	5.25	Heritable & Gen Inv Bk	5.25	United Bank of Kuwait	5.25
Bank of Cyprus	5.25	C. Hoare & Co	5.25	Unity Trust Bank Plc	5.25
Bank of Ireland	5.25	●SG Hambros Bank & Trust	5.25	Whiteaway Laidlaw	5.25
Bank of India	5.25	Hongkong & Shanghai	5.25	Yorkshire Bank	5.25
Bank of Scotland	5.25	Investec Bank (UK) Ltd	5.25		
Barclays Bank	5.25	Julian Hodge Bank	5.25		
Brit Bk of Mid East	5.25	●Leopold Joseph & Sons	5.25		
●Brown Shipley & Co Ltd	5.25	Lloyds Bank	5.25		
Citibank NA	5.25	Midland Bank	5.25		
Clydesdale Bank	5.25	NatWestminster	5.25		
The Co-operative Bank	5.50	●Rea Brothers	5.25		
Coutts & Co	5.25	Royal Bk of Scotland	5.25		
Cyprus Popular Bank	5.25	Scottish Widows Bank	5.50		
Duncan Lawrie	5.25	●Singer & Friedlander	5.25		

● Members of London Investment Banking Association

Wheat prices fall in India after bumper harvest

By Kunal Bose in Calcutta

Bumper production in Indian foodgrains in the season just ended, and in wheat in particular, has led to a 20 per cent fall in wheat prices in the past 2½ months.

Some farm experts say the Indian wheat crop for the 1998-99 season, which ended on March 31, was as large as 73m tonnes.

The Food Corporation of India, a federal government procurement agency, said wheat procurement, which has already risen above 7m tonnes, would be a record 13.7m tonnes this time compared with 12.6m tonnes in 1997-98.

India's foodgrain production in 1998-99 will have risen 4.40 per cent to 200.9m tonnes helped by great strides made by wheat and pulses.

The Centre for Monitoring Indian Economy, a think-tank, initially estimated foodgrain production of 194m tonnes in June 1998, which was subsequently revised to 194.8m tonnes in February 1999. The government's first estimate was 195.8m tonnes.

The CMIE said it was surprised by the growth in production as the "year had seen an erratically progressing and an equally erratically withdrawing monsoon".

The country also had to put up with floods in many states and rain during the harvest of summer crops.

As a result, production of rice, which is principally a summer crop, grew by only 2.6 per cent to 84.48m tonnes. However, the weather turned favourable for wheat, which is a winter crop.

According to the agriculture ministry, since the area under wheat was up from 26.7m to 27.1m hectares and farmers could complete more than 70 per cent of sowing in time – taking advantage of the moisture left in the soil by the post-monsoon rain – the crop was a record 70.63m tonnes compared with 65.9m tonnes in 1997-98.

The country also harvested a record 15.19m tonnes of pulses against 13.07m tonnes in 1997-98. India's highest production of pulses to date was 14.26m tonnes in 1990-91.

Production of gram, which is the most important of all the pulse crops grown in India, is estimated to have reached nearly 6.4m tonnes in 1998-99, compared with 6.07m tonnes in the previous year.

Winter pulse cultivation also benefited from sufficient moisture in the soil.

India's total agricultural production, in which foodgrains comprise 62.9 per cent, increased by 6.8 per cent in 1998-99, following a fall of 5.4 per cent in the previous year.

According to the Central Organisation for Oil Industry & Trade, production of nine important oil seeds will be up 2.01m tonnes to 22.59m tonnes.

India harvested 46.55m tonnes of fruits and vegetables in 1998-99 against 41.17m tonnes in the previous year.

Production of sugar cane advanced from 276.25m tonnes to 282.68m tonnes, the tea crop from 811m kg to 870m kg, rubber output from 584,000 tonnes to 605,000 tonnes, and tobacco production from 660,000 tonnes to 670,000 tonnes.

Consumption of coarse grains expected to recover

World consumption of coarse grains is expected to show signs of recovering to pre-Asian crisis levels next year, writes **Paul Solman**. The International Grains Council forecasts coarse grain consumption at 884m tonnes in 1999-2000, against an estimated 876m tonnes in the 1998-99 season.

"After a period of quite rapid growth, world coarse grains consumption has levelled off since the mid-1990s, mainly because of a steep decline in feed use in Russia and economic recession in parts of the far east," the IGC said. It attributed the higher consumption to increased economic activity in Asia, and stronger demand in Europe and the US.

Trade in coarse grains is also forecast to rise, mainly because of an expected upturn in maize imports, the IGC said. Current figures suggest trade will be 94m against an estimated 92m in 1998/99. "However, the potential for a larger increase remains, especially if there are significant crop shortfalls in major importers," it said.

World wheat consumption is expected at 586m tonnes in 1998-99 against 590m tonnes last season.

Crude oil back above $16 a barrel

MARKETS REPORT

By Paul Solman

Crude oil pushed back above $16 a barrel in London yesterday, in the wake of suggestions that output cuts agreed last month were proving effective.

A survey by Reuters released on Wednesday said crude production by the Organisation of Petroleum Exporting Countries had been cut by 1.35m barrels a day in April.

The bellwether Brent blend contract for June delivery rose to almost $16.50 a barrel at one stage on the International Petroleum Exchange, before dropping back to $16.38 in late trading. Wednesday's close was $15.80.

Base metals continued to ride the recent wave of optimism in the market, with nickel rising to its highest for almost a year on the London Metal Exchange.

At the close of trading, the three-month contract was up $70 at $5,510 a tonne, while copper was up $17.50 at $1,578.50 a tonne, its highest since December.

Cocoa futures closed firmer for the second consecutive day on the London International Financial Futures and Options Exchange, although analysts said there was no fundamental news to support the rise in prices.

The most actively traded July contract finished at £704 a tonne, £4 higher than Wednesday's level. However, it still has a long way to go to recoup the losses of the past few months.

White sugar was also stronger than of late, with the August contract gaining $4.20, or almost 3 per cent, to $167.50 a tonne in late trading.

Robusta coffee was less positive, with July slipping $9 to close at $1,430 a tonne.

Iron ore exporters tighten their belts

Australian producers are cutting prices below recently agreed rates, says **Stephen Wyatt**

The Australian iron ore market is under renewed pressure as world crude steel production continues to contract, freight rates into Asia fall and excessive supplies of iron ore fight for market share.

Iron ore exporters are now aggressively discounting prices below already sharply lower benchmark levels to bolster export volumes, which have been eroded over the past year as the Asian economic slump has slowed world, and especially Japanese, steel production.

BHP Iron Ore forecasts that its Newman tonnages will be about 15 per cent less this coming year and with the US limiting steel imports there are fears that, without a recovery in Asia, demand for iron ore could fall even further.

Current discounting reflects difficult market conditions, especially lower freight rates into Asia, which have allowed South African and Brazilian exporters to compete in the Asian market, said Stedman Ellis, at BHP Iron Ore.

Rio Tinto's Hamersley Iron, however, is expecting shipments to rise to the "late 50s" in 1999, following a 9m decline in exports last year to 53m tonnes. Hamersley was the winner in a recent round of price negotiations as it was the first to agree lower contract prices with Japanese steel mills.

In contrast BHP is likely to lose about 6m-7m tonnes this year and Robe River about 2m-3m tonnes, according to Jim Lennon of Macquarie Equities.

On April 1 the lower contract iron ore prices with Japanese and European steel mills came into effect at 10-15 per cent lower than last year's levels. Nevertheless iron ore exporters are now discounting further, especially into the promising Chinese market.

The difficult market conditions were highlighted by BHP at the recent Metal Bulletin's Iron Ore conference in Prague.

"BHP expects seaborne iron ore volumes to fall further in the short term, due mainly to decreased demand in Japan, China and Western Europe," said Peter Carney, the manager of strategic marketing for BHP Iron Ore.

After seaborne iron ore trade hit a record 427m tonnes in 1997, the sharp fall in global and especially Asian crude steel production caused seaborne trade to fall to 415m tonnes in 1998 and "it is likely to fall to around 400m tonnes in 1999 before recovering," said Mr Carney.

Slowing demand is one problem. So too are the current excess global supplies of iron ore. BHP estimates the supply surplus to be "30m tonnes and probably more like 60m tonnes if we include recent developments and expansion activities at their ultimate capacities".

This supply surplus has resulted in "intense competition ... in addition to a low benchmark price settlement, iron ore producers are offering discounts to secure volume," said Mr Carney.

For exporters to Asia, competition has been further intensified by a combination of the fall in Atlantic to Pacific freight rates and the devaluation of the Brazilian currency, the Real.

Brazil is the largest producer of iron ore in the world and the second largest exporter after Australia. Australia and Brazil together account for about 70 per cent of world iron ore exports.

The two most important iron ore importing countries in Asia, China and Japan, have uncertain futures, according to BHP. Although it expects Chinese growth to remain around 7 per cent, "reduced foreign investment, inventory overhangs or consumer unwillingness to spend could slow growth in China dramatically, perhaps to about 3-4 per cent," said Mr Carney. China accounts for about 25 per cent of Australia's iron ore exports.

The Japanese economy is experiencing its worst recession for 50 years and its lowest steel production for 20 years. The required reforms, especially in the banking system, are progressing "but not sufficiently to deal decisively with the current crisis", said BHP. Japan accounts for about 45 per cent of Australia's iron ore exports.

In response to the difficult environment and increasing levels of competition in the iron ore market, BHP Iron Ore is restructuring itself. Its strategy is to improve cost competitiveness, focus on Asia, ensure supply flexibility and enhance its technical abilities.

Initiatives to reduce costs involve cutting staff levels by 20 per cent this year, optimising stripping ratios and mine plans, utilising hydraulic excavators for digging ore and setting benchmarks based on best contractors and competitors.

Australian iron ore exports
1993-99, financial years

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1329-30	1351-52
Previous	1311-2	1335-6.5
High/low		1360/1335
AM Official	1320-20.5	1343-43.5
Kerb close		1358-59
Open int.	308,087	
Total daily turnover	76,425	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1213-18	1235-38
Previous	1190-95	1210-5
High/low		1235/1220
AM Official	1195-200	1218-20
Kerb close		1235-40
Open int.	9,169	
Total daily turnover	3,060	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	544-5	549-50
Previous	535-6	542-2.5
High/low		552/541
AM Official	535-5.5	541.5-6
Kerb close		548-9
Open int.	40,728	
Total daily turnover	13,686	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5425-35	5605-10
Previous	5355-65	5435-40
High/low		5550/5415
AM Official	5400-10	5475-80
Kerb close		5525-30
Open int.	72,403	
Total daily turnover	27,014	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5595-605	5690-95
Previous	5425-35	5460-70
High/low		5640/5520
AM Official	5595-605	5590-95
Kerb close		5580-600
Open int.	22,431	
Total daily turnover	12,168	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1065-66	1084-85
Previous	1074-5	1093.5-4.0
High/low		1095/1080
AM Official	1070.5-71.5	1090-91
Kerb close		1083-84
Open int.	99,077	
Total daily turnover	34,770	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1548.5-49.5	1578-78.5
Previous	1529-30	1560-1
High/low		1591/1552
AM Official	1553-54	1583-84
Kerb close		1581-82
Open int.	187,094	
Total daily turnover	60,650	

■ LME AM Official £/$ rate: 1.6113
LME Closing £/$ rate: 1.6110

[illegible]

■ HIGH GRADE COPPER (COMEX)

[illegible]	

PRECIOUS METALS

■ LONDON BULLION MARKET

[illegible]	

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.) — ■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.) — ■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.) — ■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

[illegible]	

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel) — ■ CRUDE OIL IPE ($/barrel) — ■ HEATING OIL NYMEX (42,000 US galls; c/US galls) — ■ GAS OIL IPE ($/tonne) — ■ NATURAL GAS IPE — ■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu) — ■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

[illegible]	

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne) — ■ WHEAT CBT (5,000bu min; cents/60lb bushel) — ■ MAIZE CBT (5,000 bu min; cents/56lb bushel) — ■ BARLEY LIFFE (100 tonnes; £ per tonne) — ■ SOYABEANS CBT (5,000bu min; cents/60lb bushel) — ■ SOYABEAN OIL CBT (60,000lbs; cents/lb) — ■ SOYABEAN MEAL CBT (100 tons; $/ton) — ■ POTATOES LIFFE (20 tonnes; £ per tonne) — ■ FREIGHT (BIFFEX) LIFFE ($10/index point)

[illegible]	

PULP AND PAPER

■ PULPEX OMLX (US$, 24 air dry tons)

[illegible]	

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne) — ■ COCOA CSCE (10 tonnes; $/tonnes) — ■ COCOA (ICCO) (SDR's/tonne) — ■ COFFEE LIFFE (5 tonnes; $/tonne) — ■ COFFEE 'C' CSCE (37,500lbs; cents/lbs) — ■ COFFEE (ICO) (US cents/pound) — ■ WHITE SUGAR LIFFE (50 tonnes; $/tonne) — ■ SUGAR '11' CSCE (112,000lbs; cents/lbs) — ■ COTTON NYCE (50,000lbs; cents/lbs) — ■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

[illegible]	

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100) — ■ CRB Futures (Base: 1967 = 100) — ■ GSCI Spot (Base: 1970 = 100)

[illegible]	

LME WAREHOUSE STOCKS (tonnes)

[illegible]	

Wool from Maklett & Co
The main selling seasons in primary markets are moving towards their close and prices are just managing to hold steady. The main Australian indicator closed at 549, 3 cents lower than a week ago. South African was slightly cheaper also, and the New Zealand strong crossbred indicator was 5 cents down at 365 compared with two weeks before. British wool sold at virtually unchanged prices at a Bradford auction this week. Auction demand is not sufficient to take up all the wool on offer, with farmers dissatisfied with prices which are mostly uneconomic.

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs) — ■ LEAN HOGS CME (40,000lbs; cents/lbs) — ■ PORK BELLIES CME (40,000lbs; cents/lbs)

[illegible]	

LONDON TRADED OPTIONS

■ ALUMINIUM (99.7%) LME — ■ COPPER (Grade A) LME — ■ COFFEE LIFFE — ■ COCOA LIFFE — ■ BRENT CRUDE IPE

[illegible]	

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel) — ■ OIL PRODUCTS NWE prompt delivery CIF (tonne) — ■ NATURAL GAS (Pence/therm) — ■ OTHER

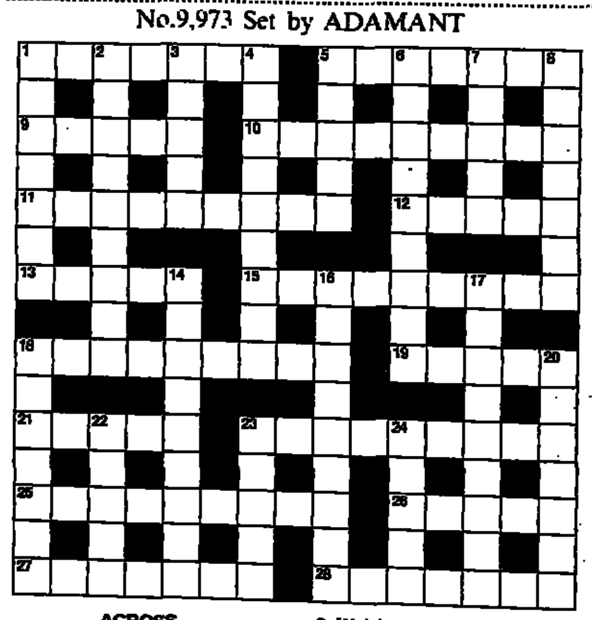
[illegible]	

JOTTER PAD

For solutions to today's crossword call 0906 843 0060. Calls cost 60p a minute.

CROSSWORD

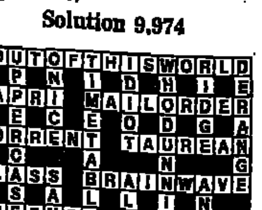
No.9,973 Set by ADAMANT



ACROSS
1 Speak softly of a man, retired salesman, following wife (7)
5 Streams imprisoning the Spanish men (7)
9 Early notes on a fragment of flint rock (5)
10 Lucky charms left in machinations of Satanism (9)
11 Informed about hard rocks more than once (9)
12 Is the wrong use of children (5)
13 Happening to show the first lady is not heartless (5)
15 A student has confidence about independence of unselfish people (9)
18 Mediate in time with another decree (9)
19 Follow directions and bring the case (5)
21 Left university with good name – could be a bloomer (5)
23 Able to mop up when away round the globe (9)
25 Messenger about trade unions being fitter with the material (9)
26 Working at both sides of one vegetable (5)
27 They accept the blow is part of the healing process (7)
28 Soldiers pay the bill for the withdrawal (7)

DOWN
1 Shrill sound made by the French at end of game (7)
2 Covering up the purpose of capturing English marines (9)
3 Writing experts on beginning essay (5)
4 Develops into a real underlying principle (9)
5 Stored for reference by the fourth folder (5)
6 Weakness of girl I played duet with? (9)
7 Exams also run out (5)
8 On board, tries working on the nurses (7)
14 Webster playing rugby union round Atlanta (9)
16 Money lender lost his head after rate was changed by finance officer (9)
17 It's messy but initially easy to reorganise and put into order (9)
18 Not allowed till translated round here in France (7)
20 Former spouse given money by court was put out (7)
22 Cut back on dried fruit (5)
23 Little woman drinks vermouth for goodwill (5)
24 Nonsense to store outsize perch (5)

Solution 9,974



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OFFSHORE AND OVERSEAS

BERMUDA
(FSA RECOGNISED)

Fidelity Currency Funds Ltd

Pembroke Hall, Pembroke, Bermuda

Jupiter Asset Management (Bermuda) Ltd

PO Box HM 1279, Hamilton, Bermuda 001 441 292 2760

Newport Investment Management

Orion Fund Limited

8 Front St., Hamilton, HM11, Bermuda HM 11441 292 6370

BERMUDA
(REGULATED)(**)

CAYMAN ISLANDS
(REGULATED)(**)

MFS Meridian Funds - Contd.

Manulife Funds Direct

Managed Plato Growth Pfolio $1.013

Marshall Wace Asset Management Limited

Masters International Advisors

Morgan Stanley Offs Advisory Mortgage Fd Inc

Class A Shares $10.06

National Investment Trust Company Ltd

The New Taiwan Fund Ltd $18.5418

North Atlantic Management Co Ltd

Olympus Capital Management Ltd

Omega Overseas Partners Ltd

Opportunity Fund (z)

GUERNSEY
(FSA RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

Saracen Fund Managers

Schroder Investment Management

GUERNSEY
(REGULATED)(**)

IRELAND
(FSA RECOGNISED)

Aberdeen Prolific Intl Fund Plc

GT Global - Contd.

IRELAND
(REGULATED)(**)

ISLE OF MAN
(FSA RECOGNISED)

ISLE OF MAN
(REGULATED)(**)

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JERSEY
(FSA RECOGNISED)

LUXEMBOURG
(FSA RECOGNISED)

JERSEY
(REGULATED)(**)

LUXEMBOURG
(REGULATED)(**)

OFFSHORE INSURANCES

هكذا من الاصل

هكذا من الاصل

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CONSTRUCTION & BUILDING MATERIALS - Continued

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DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQUIPMENT

ENGINEERING & MACHINERY

ENGINEERING & MACHINERY - Continued

FOOD & DRUG RETAILERS

FOOD PRODUCERS & PROCESSORS

FORESTRY & PAPER

GAS DISTRIBUTION

GENERAL RETAILERS

HEALTH

HOUSEHOLD GOODS & TEXTILES

HOUSEHOLD GOODS & TEXTILES - Continued

INFORMATION TECHNOLOGY HARDWARE

INSURANCE

INVESTMENT COMPANIES

INVESTMENT COMPANIES - Continued

INV TRUSTS SPLIT CAPITAL

هكذا من الأصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Continued

MINING - Continued

REAL ESTATE - Continued

SPECIALITY & OTHER FINANCE - Continued

TRANSPORT - Continued

AIM - Continued

WATER

AMERICANS

STEEL & OTHER METALS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
Barlow R	♦	£[illegible]	+[illegible]	[illegible]	£[illegible]	–	3.4	8.5
Investec Group		[illegible]	[illegible]	[illegible]	[illegible]	–	–	–
Investec Hldgs		[illegible]	[illegible]	[illegible]	[illegible]	–	–	–
Standard Bank R		[illegible]	[illegible]	[illegible]	[illegible]	–	2.8	–
Tiger Oats		[illegible]	—	[illegible]	375	–	2.9	12.1
Tongaat-Hulett R	†	428	+3½	745¼	387½	–	7.4	7.2

TRADED INDEX SECURITIES

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yield	P/E
FTSE 100 TRAINS		[illegible]	—	£63450	£47700	–	–	–

LEISURE, ENTERTAINMENT & HOTELS

OIL & GAS

REAL ESTATE - Continued

SUPPORT SERVICES

AIM

Alternative Investment Market

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the SE Official list.

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PHARMACEUTICALS

TELECOMMUNICATIONS SERVICES

TOBACCO

REAL ESTATE

TRANSPORT

SPECIALITY & OTHER FINANCE

MINING

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The FT web site

London share prices are available throughout the trading day with a 20 minute delay from our web site, http://www.ft.com, which also has the closing share prices printed on these pages.

Footsie loses height in switch from growth issues

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

One of the most action-packed trading sessions in the past few weeks saw the London stock market's leaders finally run out of puff and back off from the elevated levels that drove the two main FTSE indices to record highs.

Weakness in the front-line stocks was mainly concentrated in a handful of important sectors: the mortgage and savings banks, food retailers and pharmaceuticals. But it was a drinks company, Allied Domecq, that took the dubious accolade of being the worst individual FTSE 100 constituent.

Allied's latest dismal showing came in the wake of poor interims and a warning of lower profits from its retail operations and non-North American and European spirits businesses.

After a day of persistent, although never heavy selling the FTSE 100 finished the day a net 101.2 lower at 6,497.6, just short of a session low of 6,493.6. At its worst yesterday the index was down 105.2.

Wall Street gave every support to London, the Dow Jones Industrial Average nudging ahead overnight and maintaining its advance yesterday, when the New York benchmark topped 10,900.

But the weakness in the FTSE leaders was never evident in the mid and small-cap stocks.

The FTSE 250 index closed a net 2.9 firmer at 5,816.6 and the FTSE SmallCap a comfortable 9.4 ahead at 2,557.7.

The setback in the leading stocks was the first since the near 200-point retreat by the Footsie almost two weeks ago and was not viewed as any more than continued switching activity out of the market's big Footsie winners of the past couple of years – telecoms and pharmaceuticals – into the more cyclical stocks.

Dealers insisted the sell-off in the top 100 companies was not the start of a big retreat, merely a dose of profit-taking after the spectacular advance to new highs.

"Turnover today was as good as you would have expected in the run-up to the long weekend, which includes the May Day holiday. The institutions were not selling the market today. If anything, the centralised dealing desks were looking to buy the quality stocks. As long as Wall Street looks secure then so will London, and other European markets remain the same," said one institutional salesman.

Commenting on the latest shift into cyclical stocks, Richard Kersley, strategist at Credit Suisse First Boston, said there was scepticism about the market's valuation at these levels.

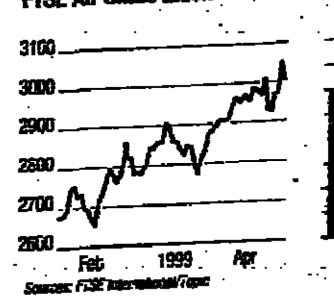
"It does look twitchy at these levels," he said. But he also pointed to the continued appetite for the classic cyclical stocks like Rio Tinto and BP Amoco.

The government's move to introduce much more stringent regulation of mortgages and long-term care insurance, put the skids under the mortgage banks and insurance stocks, while Wal-Mart's decision not to move into UK food retailing knocked the stuffing out of the supermarket stocks.

Drug shares remained firmly out of favour, suffering from pulses of selling pressure from US institutions.

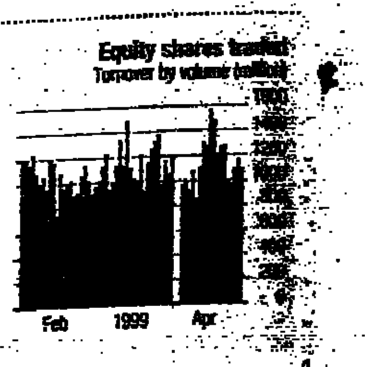
Turnover at 6pm was 1.1bn shares.

FTSE All-Share index



Sources: FTSE International/Topic

Equity shares traded
Turnover by volume (million)



Indices and ratios

FTSE 100	6497.6	−101.2	FT 30	4052.5	−70.1
FTSE 250	5816.6	+2.9	FTSE Non-Fins p/e	27.59	27.83
FTSE 350	3100.9	−40.6	FTSE 100 Fut Jun	6530.0	−134.0
FTSE All-Share	3004.86	−36.98	10 yr Gilt yield	4.78	4.84
FTSE All-Share yield	2.24	2.21	Long gilt/equity yld ratio	2.08	2.17

Best performing sectors

1 Mining +5.7
2 Forestry & Paper +4.7
3 Tobacco +4.5
4 Steel & Other Metals +3.5
5 Packaging +1.7

Worst performing sectors

1 Pharmaceuticals −3.8
2 Food & Drug Retailers −3.8
3 Life Assurance −2.8
4 Non Cyclical Services −2.8
5 Food Producers & Processors −2.7

Holiday groups feel heat

COMPANIES REPORT

By Joel Kibazo, Martin Brice and Peter John

Fears of a protracted price war in the holiday market cast a shadow over what many had seen as a knock-out bid by tour operator Airtours for rival First Choice.

First Choice, which rejected the bid after the market closed, had agreed a merger with Switzerland's Kuoni before Airtours tabled its offer yesterday valuing First Choice at 239p a share or £852.1m ($1.37bn).

If successful, the bidder said it expected to make cost savings of about £35m from the merger. The deal would make it the biggest operator in the UK.

"This looks like a knock-out price and I can't see it falling except if the regulators step in," said one dealer early in the day.

However, much of that confidence was shattered later when Thomson Travel Group, the UK's largest operator, signalled its determination to maintain its number one position.

The company announced plans for increased capacity, attractive prices and a new budget brand when the summer 2000 holidays go on sale next month.

One dealer said: "This is likely to lead to a price war which could undermine the Airtours paper offer as the industry is thrown into turmoil."

Another sector specialist said: "It appears that Thomson is determined to maintain its market share over profitability. The move will drive both margins and profits down. It will hurt everyone."

First Choice, which had moved strongly ahead on news of the bid, retreated to close 7½ ahead at 200½p while Airtours fell 27 to 431p. The price war fears left Thomson trailing 24 at 130¼p, the worst performer in the FTSE 250.

The valuation of builders' merchants has been thrown into stark relief by the purchase of a subsidiary of CRH by Travis Perkins. It enjoyed the best performance in the FTSE 250 index, rising almost 8 per cent or 46 to 653½p, a new 52-week high.

The move puts Travis Perkins in the top three UK builders' merchants and salesmen were arguing that an equivalent of football's Premier League was likely to develop. The biggest players were set to enjoy better buying terms than other, smaller companies. This may prompt consolidation away from the bigger groups, with Graham Group likely to look for a partner.

Graham was up 6¼ at 164½p, suggesting a possible upside of 25 per cent. Graham has had a market share of about 4 per cent, well behind Wolseley with 16 per cent, Meyer's 12 per cent and Travis Perkins' 11 per cent.

Wolseley saw brisk trade of 8.9m as it gained 1½ to 526½p, while Meyer enjoyed one of the better FTSE 250 performances, rising 16 to 449½p.

Rio Tinto, one of the world's biggest mining companies, jumped as the group reported encouraging figures for the first quarter. The company said output of gold, coal and copper rose but iron ore was lower.

While the data was mixed, it was interpreted with one eye on the shift of emphasis into cyclical recovery stocks. They don't come more cyclical than the mining sector and Rio gained 49 to £10.75 while Billiton added 16¾ at 206¾p.

United News & Media was the latest beneficiary of the internet bonanza. The media company announced it had agreed to buy CMP, a US technology media company, for $39 a share or $920m.

It said the combination of CMP's publishing and internet assets with the trade show and publishing businesses of Miller Freeman "will transform Miller Freeman into one of the leading market-focused business media groups serving the US and global high-tech sector".

It added that the acquisition would be earnings-per-share neutral in 2000 and "strongly enhancing" thereafter. The shares gained 47 to 720p.

Oils boosted further

Oil majors rose after renewed merger speculation was added to a sector already boosted by strong Brent crude oil prices.

The boulevard chatter might have been *older* than Toulouse-Lautrec, but it helped BP Amoco lift 9½ to £11.69½, while Shell Transport, which announced a $715m disposal in the Gulf of Mexico, rose 7 to 461½p.

Mortgage lenders suffered from news that the industry is likely to encounter a tougher regulatory regime because of a recommendation expected from a parliamentary committee.

A report said the committee of MPs and peers scrutinising the legislation for the new Financial Services Authority would call on the government to bring home loans and long-term care insurance within the scope of the FSA as soon as practically possible.

Halifax eased 3 to 886p and Abbey National fell 59 to £13.56 even though HSBC said Abbey was worth £17.50 a share in a "buy" note.

Amvescap, the fund manager, dipped 10½ to 672p despite announcing it had beaten operating margins and profits during the 1999 first quarter and was on schedule for further growth this year.

Standard Chartered improved 19 to £11.35 helped by a positive reaction from Goldman Sachs to the company's two recent Asian acquisitions.

A confident AGM statement saw BAT improve 39 to 544p in spite of a 10 per cent fall in first-quarter profits. Chairman Martin Broughton said: "We will continue to grow our existing markets organically, enter new markets quickly and effectively, and seek financially attractive acquisitions." HSBC reiterated its short-term trading "buy".

Healthcare company London International Group rose 8 to 178½p on a story that a bid at 225p was set to come from Seton Scholl Healthcare, down 14 at 751p.

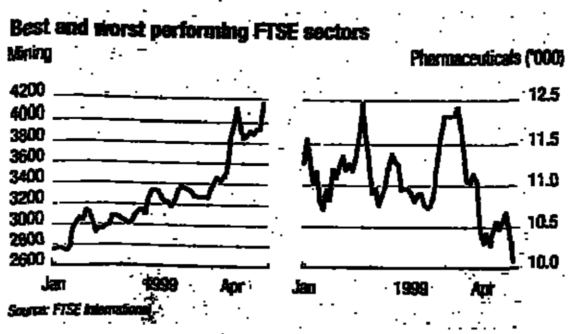
Engineer Charter lost 18½ to 451½p after a bearish AGM statement.

Some information technology stocks were off following a disappointing performance on the Nasdaq market. Logica retreated 15 to 602½p. Psion lost 20½ to 904½p.

The market was disappointed by the underlying decline in sales volumes from Anglo-Dutch consumer products group Unilever, which yesterday posted first-quarter figures in line with market expectations.

There was concern among analysts about trading prospects this year with growing international economic uncertainity. The shares surrendered 33 to 559½p.

Best and worst performing FTSE sectors



Source: FTSE International

FT 30 INDEX

	Apr 29	Apr 28	Apr 27	Apr 26	Apr 23	Yr ago	*High	*Low
FT 30	4052.5	4122.6	4111.6	4063.4	4025.4	3823.2	4122.6	2790.6
Ord. div. yield	2.61	2.57	2.56	2.60	2.63	2.86	4.22	2.58
P/E ratio net	24.12	24.55	24.61	24.24	23.95	24.78	25.41	15.80
P/E ratio nil	24.05	24.48	24.54	24.18	23.89	24.56	25.19	15.71

FT 30 since compilation: high 4122.6 4/28/99; low 49.4 6/26/40. Base Date: 1/7/35.

FT 30 hourly changes

9	10	11	12	13	14	15	16	High	Low
4122.6	4077.2	4065.8	4068.4	4061.5	4075.3	4074.6	4063.9	4122.6	4044.5

STOCK MARKET TRADING DATA

	Apr 29	Apr 28	Apr 27	Apr 26	Apr 23	Yr ago
SEAQ bargains	76,408	77,913	84,981	76,381	75,170	67,925
Equity turnover (£m)†	-	4,748.0	4894.5	3349.8	4432.9	2535.7
Equity bargains†	-	66,918	72,352	61,460	62,801	49,477
Shares traded (m)†	-	1116.0	1114.4	783.5	994.3	894.1
Total market bargains‡	-	79,100	87,355	n/a	75,474	-
Total turnover (£m)‡	-	6545.5	6811.6	n/a	6154.9	-
Total shrs traded (m)‡	1099.6	1463.3	1484.0	n/a	1308.0	-
Tradepoint turnover (£m)	33.3	25.5	29.2	16.9	31.0	17.4
Tradepoint shrs traded(m)	16.0	13.7	12.5	7.3	11.9	5.4

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	798	Total Highs	108	Total contracts	41,311
Total Falls	659	Total Lows	10	Calls	17,446
Same	1,390			Puts	23,865

Apr 29 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	6620.0	6523.0	-107.0	6635.0	6514.0	28671	198304
Sep	6620.0	6578.0	-107.0	6620.0	6620.0	20	7042
Dec	6634.0	6642.0	-108.0	6634.0	6634.0	320	1250

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	5840.0	5818.0	+3.0	5340.0	5840.0	14	2363

■ FTSE 100 INDEX OPTION (LIFFE) (*6437) £10 per full index point — Apr 29

	6300 C	6300 P	6350 C	6350 P	6400 C	6400 P	6450 C	6450 P	6500 C	6500 P	6550 C	6550 P	6600 C	6600 P	6650 C	6650 P
May	226	62	237	75	196	88	163½	105½	136½	126½	108½	148	87½	176½	64	206½
Jun	354½	121½	314	135	281	152	251½	172	222	192½	191½	212½	165½	237½	144	269½
Jul	428	162½	396½	177	366	195½	322½	216½	293	238½	263½	265	234½	287	213	315
Aug	483½	223	459	242	423	261	382½	280½	362½	300	332	319½	302	340	277	368½
Dec†	696	365			631	404½			568½	444			512	484½		

Calls 446 Puts 755

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point — Apr 29

	6325 C	6325 P	6375 C	6375 P	6425 C	6425 P	6475 C	6475 P	6525 C	6525 P	6575 C	6575 P	6625 C	6625 P	6675 C	6675 P
May	252	66	216	79½	182	95½	151	114	123	136	98½	161	75½	188	57	219½
Jun	331	129½	296½	144½	263½	161½	234	181	204	201	174½	221½	154	250½	128½	274½
Jul	405	178	371	194	338½	211½	307	230	277½	250½	248	272	222½	295½	197½	320½
Sep	514½	266½			447½	292			390	338			332½	378½		
Dec†	678½	372½			613½	454			547½	434½			488	471½		

Calls [illegible] Puts 2,554 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1999 High	1999 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	38.0	289½	129	†Affinity Internet	288½	+32	-	-	-	-
103	F.P.	14.2	95	95	Br Smlr Cos VCT	95		-	-	-	-
-	F.P.	0.39	12½	12½	Do Warrants	12½		-	-	-	-
-	F.P.	16.6	119½	95½	Cairngorm Restruct	112½		-	-	-	-
-	F.P.	0.84	27	17½	Do Wts	25½		-	-	-	-
§	F.P.	26.1	110	105	Edinburgh Inc&Val	110		-	-	-	-
§	F.P.	16.5	106½	100½	Edinburgh Val ZDP	106½		-	-	-	-
-	F.P.	-	665	649	Fleming 3&6 Units 3006	648		26.75	-	1.1	-
§	F.P.	22.2	111½	96½	Gartmore High Inc	111		17.2	-	6.5	-
-	F.P.	10.9	109½	101½	Do Zero Div Pf	109		-	-	-	-
-	F.P.	197.6	101	99½	Railtax Pf	99½	−½	6.12	-	6.1	-
-	F.P.	18.9	100	100	Northern 2 VCT	100		-	-	-	-
§	F.P.	18.1	165	142	Sherry FitzGerald	142		-	-	-	24.2
*	F.P.	16.4	197½	55½	†Sports Internet	166½		-	-	-	-
-	F.P.	16.3	100	100	Tmer VCT	100		-	-	-	-
§	F.P.	1.50	10	6	†Voyager 2080	10	+1½	-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1999 High	1999 Low	Stock	Closing price p	+or-
12.5	Nil	4/5	5½pm	1pm	Calluna	5pm	+¼
75p	Nil	14/5	3pm	2pm	Ennex Intl	3pm	+½

pm premium.

FTSE GOLD MINES INDEX

	Apr 28	% chg on day	Apr 27	Year ago	Gross div yield %	Total return	52 week High	52 week Low
Gold Mines Index (27)	985.75	+2.80	958.90	1278.07	1.89	996.44	1299.86	791.58
■ Regional Indices								
Africa (9)	1060.12	+1.86	1040.79	1364.02	3.99	1083.58	1486.04	765.63
Australasia (8)	1108.18	+0.39	1103.83	1456.16	2.86	1125.66	1533.81	815.93
Americas (10)	945.45	+3.73	911.49	1241.57	0.77	949.82	1273.83	647.68

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	£ Stlg Apr 29	Day's chge%	Euro index	£ Stlg Apr 28	£ Stlg Apr 27	Year ago	Actual yield%	Cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	6497.6	−1.5	7694.6	6598.8	6593.6	5928.3	2.12	1.65	28.52	63.87	2906.58
FTSE 250	5818.6	—	6898.1	5813.7	5808.7	5610.8	2.73	1.84	19.88	56.11	2556.77
FTSE 250 ex Inv Co	5877.4	+0.1	6960.2	5872.0	5865.1	5683.4	2.84	1.89	18.61	58.37	2595.77
FTSE 350	3100.9	−1.3	3672.2	3141.5	3139.0	2859.1	2.22	1.69	26.72	30.40	2835.40
FTSE 350 ex Inv Co	3108.4	−1.3	3681.0	3149.7	3147.0	2863.9	2.23	1.69	26.50	30.69	1458.02
FTSE 350 Higher Yield	3084.8	−0.7	3653.2	3105.3	3091.2	2823.0	2.67	1.57	22.18	34.58	2426.84
FTSE 350 Lower Yield	3110.7	−2.0	3683.8	3172.7	3182.6	2910.5	1.52	1.93	34.14	25.55	2296.64
FTSE SmallCap	2557.68	+0.4	3028.89	2548.32	2542.37	2645.87	2.73	1.83	19.94	22.43	2280.77
FTSE SmallCap ex Inv Co	2526.27	+0.5	2991.68	2514.79	2507.03	2643.06	2.90	1.94	17.77	23.12	2279.27
FTSE All-Share	3004.86	−1.2	3558.44	3041.84	3039.21	2788.99	2.24	1.70	26.30	29.30	2788.61
FTSE All-Share ex Inv Co	3015.89	−1.2	3571.49	3053.76	3050.92	2796.11	2.25	1.71	25.99	29.69	1440.24
FTSE Fledgling	1389.24	+0.2	1645.17	1387.05	1383.71	1415.50	2.82	1.23	28.79	11.65	1578.66
FTSE Fledgling ex Inv Co	1402.19	+0.2	1660.51	1399.51	1394.57	1434.40	3.20	1.27	24.54	13.10	1599.53
FTSE All-Small	1447.82	+0.3	1714.54	1443.15	1439.76	1492.98	2.75	1.70	21.33	12.58	1647.97
FTSE All-Small ex Inv Co	1457.51	+0.4	1726.02	1451.66	1447.05	1517.68	2.96	1.80	18.82	13.40	1671.57
FTSE AIM	947.4	+0.1	1121.9	946.6	937.8	1080.1	1.02	30.00†	0.13	3.05	871.34

■ *FTSE* Actuaries Industry Sectors

	£ Stlg Apr 29	Day's chge%	Euro index	£ Stlg Apr 28	£ Stlg Apr 27	Year ago	Actual yield%	Cover	P/E ratio	Xd adj. ytd	Total Return
RESOURCES(16)	5398.20	+1.5	6392.69	5320.51	5186.79	4873.84	2.32	0.61	69.84	51.23	2547.71
Mining(4)	4164.62	+5.7	4931.85	3939.08	3937.32	3362.98	2.89	1.57	20.68	71.13	1374.47
Oil & Gas(12)	6234.44	+1.0	7382.99	6169.82	5999.32	5446.67	2.26	0.48	90.00†	53.96	3021.84
BASIC INDUSTRIES(82)	2273.33	+0.3	2692.14	2266.22	2255.09	2300.63	3.53	1.75	16.20	29.64	1381.35
Chemicals(20)	2354.45	−1.1	2788.21	2379.90	2386.53	2963.23	3.90	1.20	21.34	48.77	1255.37
Construction & Bld Matls(56)	2072.66	+0.6	2454.60	2060.61	2045.98	1903.05	2.99	2.25	14.86	21.88	1169.91
Forestry & Paper(2)	6304.49	+4.7	7465.94	6021.19	6018.13	4873.84	4.89	1.74	11.75	26.99	2961.52
Steel & Other Metals(1)	2803.52	+3.5	3320.00	2709.28	2619.76	3093.63	6.72	1.13	13.22	22.19	1862.60
GENERAL INDUSTRIALS(78)	2242.16	−0.3	2655.22	2248.29	2245.70	2300.63	2.43	2.18	19.09	34.98	1359.24
Aerospace & Defence	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Diversified Industrials	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Electronic & Elect Equip	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Engineering & Machinery	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CYCLICAL CONSUMER GOODS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Automobiles	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Household Goods & Textiles	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NON-CYCLICAL CONS GOODS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Beverages	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Food Producers & Processors	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Health	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Packaging	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Personal Care & Hse Prods	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pharmaceuticals	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tobacco	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CYCLICAL SERVICES	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Distributors	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
General Retailers	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Leisure, Entertainment & Hotels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Media & Photography	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Restaurants, Pubs & Breweries	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Support Services	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Transport	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NON-CYCLICAL SERVICES	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Food & Drug Retailers	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Telecommunication Services	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UTILITIES	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Electricity	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gas Distribution	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Water	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
INFORMATION TECHNOLOGY	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Information Tech Hardware	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Software & Computer Services	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NON FINANCIALS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FINANCIALS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Banks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Insurance	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Life Assurance	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Investment Companies	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Real Estate	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Speciality & Other Finance	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ Hourly movements

	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	6592.0	6539.0	6517.8	6514.7	6500.2	6528.1	6537.1	6515.1	6592.6	6493.6
FTSE 250	5818.2	5819.9	5812.1	5813.9	5813.0	5811.3	5813.2	5818.5	5821.5	5809.5
FTSE SmallCap	2549.49	2550.23	2551.25	2554.18	2554.50	2555.63	2555.00	2556.93	2557.89	2549.49
FTSE All-Share	3038.74	3020.12	3011.71	3010.84	3005.38	3015.71	3019.18	3011.48	3039.74	3003.13

[illegible]

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks yesterday.

	Vol 000's	Closing price	Day's change
3i	857	873¾	−1
AMVESCAP	3,487	672	−10½
ASDA Group	14,352	203	−5
Abbey National	3,451	1356	−59
[illegible]	[illegible]	[illegible]	[illegible]

هكذا من الاصل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE (EMU) Prices in €

AUSTRIA (Apr 29 / 1 € = 13.7603 Sch)

BELGIUM/LUX (Apr 29 / 1 € = 40.3399 Frs)

GERMANY (Apr 29 / 1 € = 1.95583 Dm)

FINLAND (Apr 29 / 1 € = 5.94573 Mka)

FRANCE (Apr 29 / 1 € = 6.55957 Frs)

IRELAND (Apr 29 / 1 € = 0.78756 Pund)

ITALY (Apr 29 / 1 € = 1936.27 Lira)

NETHERLANDS (Apr 29 / 1 € = 2.20371 Fl)

PORTUGAL (Apr 29 / 1 € = 200.482 Esc)

SPAIN (Apr 29 / 1 € = 166.386 Pts)

EUROPE (NON-EMU)

CZECH REP (Apr 29 / Korune)

DENMARK (Apr 29 / Kr)

GREECE (Apr 29 / Drachma)

NORWAY (Apr 29 / Kroner)

POLAND (Apr 29 / Zloty)

SWEDEN (Apr 29 / Kronor)

SWITZERLAND (Apr 29 / Frs)

TURKEY (Apr 29 / Tk Lira)

PACIFIC

JAPAN (Apr 28 / Yen)

HONG KONG (Apr 29 / HK$)

INDONESIA (Apr 29 / Rupiah)

MALAYSIA (Apr 29 / MYR)

NEW ZEALAND (Apr 29 / NZ $)

SINGAPORE (Apr 29 / S$)

SOUTH KOREA (Apr 29 / Won)

TAIWAN (Apr 29 / TW $)

THAILAND (Apr 29 / Baht)

AUSTRALIA (Apr 29 / Aust$)

AMERICAS

CANADA

TORONTO (Apr 29 / Can $) 4 pm close

MONTREAL (Apr 29 / Can $) 4 pm close

MEXICO (Apr 29 / Peso) 12.30pm

AFRICA

SOUTH AFRICA (Apr 29 / Rand)

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY APRIL 28 1999 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	Local % chg on day	Gross Div. Yield
Australia (75)	234.29	-0.2	215.08	178.46	253.73	238.46	-0.8	3.16
Austria (21)	190.00	-0.9	174.42	143.10	181.56	181.56	-0.8	1.96
Belgium (21)	354.79	-1.0	325.70	267.22	331.95	331.95	-0.8	2.17
Brazil (28)	145.59	2.2	133.65	109.65	157.67	455.03	1.7	4.86
Canada (113)	229.69	0.6	210.86	173.00	248.75	245.59	0.4	1.50
Denmark (34)	433.50	1.6	397.96	326.51	469.48	412.19	1.8	1.83
Finland (25)	673.30	-3.0	618.10	507.12	790.15	790.15	-2.8	1.48
France (71)	330.91	-0.3	303.78	249.24	320.24	320.24	-0.2	1.97
Germany (54)	268.37	-0.1	246.37	202.14	258.65	256.65	0.0	1.55
Greece (38)	406.20	3.0	372.90	305.95	439.91	894.73	3.4	1.23
Hong Kong, China (66)	386.49	-2.0	354.80	291.10	418.57	384.58	-2.0	2.94
Indonesia (21)	59.13	5.2	54.29	44.54	64.04	308.90	4.5	1.04
Ireland (14)	547.76	0.0	502.85	412.57	571.69	571.69	0.2	1.82
Italy (53)	167.94	-0.7	154.17	126.49	228.40	228.40	-0.6	1.53
Japan (443)	117.68	0.5	108.03	88.63	127.44	88.63	-0.4	0.83
Mexico (29)	1888.16	1.7	1531.39	1256.44	1806.61	16949.30	1.3	1.49
Netherlands (25)	520.42	0.5	477.75	391.97	492.29	492.29	0.6	1.95
New Zealand (18)	70.96	0.7	65.15	53.45	76.85	68.49	0.3	3.51
Norway (37)	255.37	-1.2	234.43	192.34	276.57	270.28	-1.1	1.81
Philippines (22)	113.30	1.6	104.01	85.33	122.70	214.56	1.5	0.68
Portugal (18)	214.38	0.0	196.80	161.47	276.67	278.67	0.1	1.61
Singapore (40)	274.19	-2.4	251.71	206.52	296.95	214.53	-2.5	1.20
South Africa (46)	240.66	2.0	220.93	181.26	260.63	318.10	1.6	3.04
Spain (35)	371.49	-0.8	341.03	279.80	440.40	440.40	-0.7	1.62
Sweden (41)	568.76	-1.1	522.13	428.39	615.97	706.26	-0.7	1.93
Switzerland (30)	391.06	-0.5	359.02	294.56	423.54	366.69	-0.2	1.27
Thailand (26)	31.29	-2.7	28.73	23.57	33.69	45.43	-3.3	1.83
United Kingdom (201)	416.99	0.0	382.80	314.07	451.60	382.80	0.1	2.22
USA (605)	557.15	-0.9	511.47	419.64	603.40	557.15	-0.9	1.20
Americas (776)	496.11	-0.8	455.44	373.67	537.29	420.51	-0.8	1.23
Europe (718)	368.87	-0.2	338.79	276.32	397.32	356.11	-0.1	1.88
Eurobloc (338)	102.70	-0.4	94.28	77.35	106.30	106.30	-0.2	1.76
Nordic (140)	533.65	-1.3	488.90	401.94	577.94	572.09	-1.0	1.77
Pacific Basin (711)	127.66	0.2	117.19	96.15	138.25	98.79	-0.6	1.25
Euro-Pacific (1429)	226.76	-0.1	208.17	170.79	245.58	195.40	-0.2	1.68
North America (718)	535.09	-0.8	491.22	403.03	579.50	535.67	-0.8	1.21
Europe Ex. UK (517)	331.06	-0.4	303.91	249.35	358.53	332.66	-0.2	1.69
Europe Ex. Eurobloc (379)	103.53	-0.1	95.04	77.98	112.12	106.85	0.0	2.00
Europe Ex. UK Ex. Eurobloc (178)	97.66	-0.3	89.66	73.56	105.77	101.25	0.0	1.47
Pacific Ex. Japan (268)	222.01	-1.0	203.80	167.21	240.43	223.35	-1.3	2.84
World Ex. Eurobloc (1900)	116.18	-0.5	106.65	87.51	125.82	115.58	-0.6	1.38
World Ex. US (1634)	227.30	0.0	208.66	171.20	246.16	201.27	-0.2	1.70
World Ex. UK (2038)	325.60	-0.6	298.90	245.24	352.62	296.29	-0.6	1.34
World Ex. Japan (1796)	441.21	-0.6	405.04	332.32	477.83	438.45	-0.6	1.51
The World Index (2239)	333.49	-0.5	306.15	251.18	361.17	304.26	-0.6	1.43

NATIONAL AND REGIONAL MARKETS	TUESDAY APRIL 27 1999 US Dollar Index	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (75)	234.82	215.39	178.38	253.93	240.44	234.82	163.86	209.65
Austria (21)	191.73	175.87	145.65	182.95	182.95	253.73	165.27	229.75
Belgium (21)	358.33	328.68	272.20	334.76	334.76	446.95	321.92	321.97
Brazil (28)	142.41	130.63	108.18	154.00	447.47	256.15	89.32	250.05
Canada (113)	228.43	209.54	173.53	247.03	244.69	248.40	159.94	240.26
Denmark (34)	426.55	391.26	324.02	461.26	404.99	537.33	406.62	490.68
Finland (25)	693.92	636.52	527.13	813.14	813.14	719.62	338.49	424.02
France (71)	331.95	304.49	252.16	320.76	320.76	354.45	253.86	296.79
Germany (54)	268.68	246.45	204.10	258.56	258.56	325.61	228.35	270.82
Greece (38)	394.23	361.61	299.47	426.31	865.37	454.89	211.47	–
Hong Kong, China (66)	394.21	361.59	299.45	426.29	392.23	394.21	196.64	325.38
Indonesia (21)	56.19	51.54	42.69	60.76	295.59	60.92	19.04	54.83
Ireland (14)	547.64	502.33	416.01	570.72	570.72	605.85	396.15	537.97
Italy (53)	169.20	155.20	128.53	229.77	229.77	192.64	128.68	157.13
Japan (443)	117.11	107.42	88.96	126.84	88.96	118.43	76.83	94.54
Mexico (29)	1640.05	1504.37	1245.85	1773.53	16728.27	1695.45	787.15	1670.31
Netherlands (25)	518.01	475.16	393.50	489.29	489.29	582.73	394.92	488.51
New Zealand (18)	70.45	64.62	53.52	76.18	68.25	72.82	45.68	71.67
Norway (37)	258.56	237.17	196.41	279.60	273.12	357.71	181.86	341.59
Philippines (22)	111.46	102.24	84.67	120.54	211.36	113.30	42.48	92.22
Portugal (18)	214.40	196.66	162.86	276.28	276.28	299.39	194.13	–
Singapore (40)	280.82	257.59	213.32	303.68	220.06	280.82	102.45	209.14
South Africa (46)	236.05	216.52	179.31	255.26	313.16	339.54	151.55	332.12
Spain (35)	374.50	343.52	284.48	443.31	443.31	435.19	290.81	374.53
Sweden (41)	574.78	527.23	436.63	621.56	710.94	628.19	379.18	578.05
Switzerland (30)	393.00	360.49	298.54	424.98	367.29	441.65	307.73	382.91
Thailand (26)	32.17	29.51	24.44	34.78	46.99	32.17	8.15	26.94
United Kingdom (201)	417.04	382.54	316.80	450.98	382.54	417.04	307.96	381.34
USA (605)	562.09	515.59	426.99	607.84	562.09	562.09	390.12	443.75
Americas (776)	500.10	458.73	379.90	540.80	423.94	500.10	347.59	402.41
Europe (718)	367.73	337.31	279.34	397.66	356.41	386.24	282.63	345.36
Eurobloc (338)	103.08	94.55	78.31	106.54	106.54	113.92	81.53	–
Nordic (140)	540.52	495.81	410.60	584.51	577.92	555.97	360.04	508.78
Pacific Basin (711)	127.46	116.91	96.82	137.83	99.36	127.86	82.88	104.79
Euro-Pacific (1429)	227.01	208.23	172.45	245.49	195.87	227.01	166.00	205.06
North America (718)	539.56	494.93	409.67	583.48	540.19	539.56	374.92	430.63
Europe Ex. UK (517)	332.25	304.76	252.39	359.29	333.22	366.32	260.93	316.80
Europe Ex. Eurobloc (379)	103.63	95.05	78.72	112.06	106.79	103.93	77.40	–
Europe Ex. UK Ex. Eurobloc (178)	97.96	89.86	74.41	105.93	101.23	109.21	75.16	–
Pacific Ex. Japan (268)	224.33	205.77	170.41	242.59	226.35	224.33	128.26	196.57
World Ex. Eurobloc (1900)	116.77	107.11	88.71	126.28	116.29	116.77	83.09	–
World Ex. US (1634)	227.38	208.57	172.73	245.89	201.62	227.38	165.95	209.36
World Ex. UK (2038)	327.32	300.30	248.70	354.03	298.16	327.39	236.11	275.78
World Ex. Japan (1796)	443.90	407.18	337.21	480.03	440.99	443.90	320.58	379.31
The World Index (2239)	335.13	307.40	254.58	362.40	305.95	335.13	242.36	284.71

 PLEASE NOTE: Amendments to Indices 28/4/99 applied to Philippines and [illegible] Latest prices were unavailable for this edition.

Emerging markets:

IFC investable indices

Dollar terms

Apr 28 Market		Day's chg %	% Chg since 31/12/98
Latin America			
Argentina	921.06	+1.4	+15.5
Brazil	302.74	+2.3	+10.1
Chile	550.33	+2.6	+23.9
Colombia[1]	457.58	+1.0	+4.1
Mexico	697.36	+1.7	+44.8
Peru[2]	158.67	-0.2	+18.1
Venezuela[3]	471.23	+1.3	+3.9
East Asia			
China[4]	29.87	-2.2	+14.1
India[7]	87.60	+1.3	+6.3
Indonesia[8]	29.37	+4.2	+21.3
Korea[9]	77.76	-0.2	+46.7
Malaysia	101.25	-0.9	+14.4
Pakistan[8]	106.88	+0.9	+12.8
Philippines	156.13	+1.2	+26.8
Sri Lanka[10]	66.35	+1.4	-19.4
Taiwan, China[8]	139.46	-1.0	+20.4
Thailand	75.26	-0.4	+19.1
Europe			
Czech Rep	45.35	-0.7	-10.6
Greece	738.38	+3.1	+19.2
Hungary[11]	255.23	-2.0	-9.0
Poland[12]	553.04	-1.5	+5.6
Russia	41.36	-2.0	+76.4
Slovakia	32.02	-0.3	-28.6
Turkey[11]	263.54	+4.2	+80.1
Mideast/Africa			
Egypt	69.28	-0.6	+7.5
Israel	123.46	-2.5	+20.8
Jordan	220.83	+0.4	+2.0
Morocco	151.62	+0.2	-9.5
S Africa[13]	159.52	+2.1	+27.4
Zimbabwe[8]	132.91	-1.0	+26.2
Regions			
Composite	231.55	+1.0	+24.0
Latin America	520.15	+1.9	+23.9
Asia	135.43	-0.2	+26.6
EMEA	138.00	+1.5	+20.8
Europe	178.27	+2.1	+19.7
Eastn Europe	64.23	-1.7	+10.5
ME & Africa	65.46	+1.1	+22.1
Comp + Malay	233.72	+0.8	+23.3
Asia + Malay	133.84	-0.4	+23.8

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1988; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

Latest indices were unavailable for this edition.

Prices supplied by Financial Times Information.

NEW YORK STOCK EXCHANGE PRICES

4 pm close April 29

- A -

1999 High	Low	Stock	Div	Yld. %	P/E	Vol 100s	High	Low	Close Quote	Ch'ge Prev. Close
24	14 3/4	AAR x	0.34	1.8	13	722	19 1/4	18 3/4	18 7/8	-1/8
73 3/4	59	AMR			14	11776	72 3/4	71 1/4	71 11/16	-1 1/4
19 1/4	15 3/4	ASA	0.60	3.2	12	1256	u19 3/4	17 7/8	19	+1/2
53 3/4	42 3/4	Abbott x	0.68	1.3	32	29554	51 3/4	50 1/8	50 3/4	
11 5/8	7 5/8	Abitibi	0.40	3.4	6	17289	u12 1/4	11 1/2	11 11/16	
35 3/4	25 1/4	ABM Ind x	0.56	1.8	18	334	30 7/8	30 1/2	30 1/2	

- C -

1999 High	Low	Stock	Div	Yld. %	P/E	Vol 100s	High	Low	Close Quote	Ch'ge Prev. Close
16 13/16	10 3/4	Burl Coat	0.02	0.1	13	1763	15 11/16	15 1/4	15 1/2	-1/4
37 7/8	30	BurlR	0.48	1.3	15	35249	37	36 1/4	36 7/8	
45 1/2	29 1/2	BurlRs	0.55	1.2		19521	u46 15/16	45	46 5/8	+1 1/8
12 5/8	9 1/2	BurnhmP	1.05	9.1	26	246	11 5/8	11 3/8	11 1/2	
35 1/2	24 3/4	BushBoake			17	43	27 3/8	27	27 1/8	
29 3/4	22 1/4	ButlerMfg	0.56	1.9	6	188	u29 3/4	29 1/4	29 5/8	
26 11/16	14 1/2	CANTV	1.32	4.9	8	3075	u27 1/4	26 1/2	27	
48 1/2	39 3/4	CMS En x	1.32	3.0	16	15580	44	43 1/4	44	

- B -

1999 High	Low	Stock	Div	Yld. %	P/E	Vol 100s	High	Low	Close Quote	Ch'ge Prev. Close
181 1/4	146 3/4	BT	3.44	2.1	72	184	169	164 1/2	164 13/16	-6 3/8
18 1/4	13	BrwnGp	0.40	2.5	11	2385	16 1/4	15 7/8	16	
6 1/2	4 3/4	BrwnSh				354	5 1/2	5 5/16	5 1/2	
71	52 1/4	BrnFmA	1.18	1.8	23	25	67 1/8	67	67	-1/2
77 1/4	56 1/4	BrnFmB	1.18	1.6	25	576	73 1/4	71 1/2	72 1/2	
41 1/2	26 1/8	BrFerr	0.76	1.9	20	6289	40 3/4	39 15/16	40 1/4	
7 1/8	5 5/8	BRT			6	30	7	7	7	
26	18 1/4	Brunsk	0.50	2.2	12	1166	23 3/8	23	23 1/8	-1/8
18 1/4	12 7/8	Brush Well	0.48	3.1		426	15 1/4	15 1/8	15 1/8	
29 1/4	25 1/4	Buckeye Pt	2.20	8.0	13	47	27 5/8	27 1/2	27 1/2	
15 7/8	12 1/8	BuckeyeTch			10	148	14 5/8	14 1/2	14 1/2	-1/8
16 1/4	11 1/4	BrnADR x				305	15 3/4	14 7/8	15 3/4	+1 1/8

- E -

1999 High	Low	Stock	Div	Yld. %	P/E	Vol 100s	High	Low	Close Quote	Ch'ge Prev. Close
32 3/4	25 1/2	EG&G x	0.56	1.8	17	2353	32 1/4	31 1/4	31 1/2	
33 1/2	20 1/8	Earthgrns	0.16	0.8	18	3194	21 1/8	20 3/4	20 3/4	-1/16
31 5/8	28 1/4	East Utils x	1.66	5.9	18	111	28 3/4	28 1/2	28 1/2	
44	34 1/4	E Enterpr	1.68	4.7	18	1430	36 1/4	35 3/4	35 7/8	
51 1/4	40 3/4	EastCh	1.76	3.3	21	4686	u54 1/4	51 1/4	54	+3 1/4
80 1/4	60 1/2	Ekodak	1.76	2.3	18	7527	77 3/4	75 1/4	77 1/4	+1 7/8
91 1/8	62	Eaton	1.76	1.9	18	4032	91 1/2	88 1/4	91 1/4	+1 1/4
43	34 1/4	EcolabA	0.42	1.0	35	1515	42 1/2	41 1/2	42 1/4	
28 1/8	21 1/8	Edisnlnt x	1.08	4.5	12	5701	24 1/2	23 3/4	24 1/8	
41	30 3/4	EdwdAG	0.60	1.7	11	2848	36 1/8	34	35 3/4	
4 1/8	2 3/4	Elco Brnds				37	3 1/8	3 1/8	3 1/8	
67 1/4	53 7/8	Elan ADR				27256	55 1/8	d48 1/2	51 1/8	-3 1/4

- W -

1999 High	Low	Stock	Div	Yld. %	P/E	Vol 100s	High	Low	Close Quote	Ch'ge Prev. Close
35 1/4	28 1/8	WPS Rs	1.98	6.6	15	303	30 1/8	29 7/8	29 7/8	
100 5/8	83 1/4	Wrigley x	0.88	1.0	33	3683	91 1/8	87 1/2	88 1/2	
13 1/8	7 1/8	Wyman-Gdn	0.40	3.1	16	7349	u14 1/4	13	13	+1/8
22 1/8	16 1/2	Wynns Int	0.28	1.6	11	224	17 1/8	17	17 1/4	

- X - Y - Z -

1999 High	Low	Stock	Div	Yld. %	P/E	Vol 100s	High	Low	Close Quote	Ch'ge Prev. Close
63	51	Xerox	0.80	1.4	22	30578	60 5/8	56 5/8	57 1/8	-2 3/4
77 1/4	54 1/2	XL Cap x	1.76	2.8	10	1658	61 1/4	60 1/4	61 1/8	
43 1/2	37 1/2	Xtra Corp			10	747	41 1/4	39 7/8	41 1/8	
23 1/8	22 1/8	Yankee Egy	1.38	4.9	24	362	28 1/8	27 7/8	28	
42	33 5/8	York Int	0.60	1.4	12	2002	u42	41 1/2	42	
15 11/16	8 1/8	Zapata			3	211	8 1/4	8	8	
28	20 1/4	Zenith Nat x	1.00	4.2	27	310	24 1/4	23 7/8	24	
6 1/8	5 1/4	Zeus Inc x	0.67	11.7		126	5 3/4	5 3/4	5 3/4	
11 1/4	10 1/4	ZweigFdA	1.20	11.2		844	10 7/8	10 3/4	10 3/4	
8 1/4	8 1/8	Zweig Tot	0.84	10.1		604	8 3/8	8 1/4	8 3/8	

Price data supplied by Financial Times Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.
d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Apr 28	Apr 27	Apr 26	1999 High	1999 Low	Since compilation High	Since compilation Low
Industrials	10845.45	10831.71	10718.59	10845.45 (28/4)	9120.67 (22/1)	10845.45 (28/4/99)	41.22 (8/7/32)
Home Bonds	104.38	104.05	104.03	106.88 (13/1)	103.95 (1/4)	107.17 (9/12/98)	54.99 (1/10/81)
Transport	3631.72	3597.48	3610.57	3631.72 (28/4)	3083.80 (22/1)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	307.95	305.71	302.59	311.87 (4/1)	286.44 (12/2)	320.51 (8/10/98)	16.53 (8/7/32)

DJ Ind. Day's High 11050.77(10977.46) Low 10685.90 (10647.29) (Theoretical¥)
Day's High 10865.37(10847.74) Low 10811.08 (10713.18) (Actual¥)

Standard and Poors	Apr 28	Apr 27	Apr 26	1999 High	1999 Low	Since compilation High	Since compilation Low
Composite‡	1350.91	1362.80	1360.04	1362.80 (27/4)	1212.19 (14/1)	1362.80 (27/4/99)	4.40 (1/6/32)
Industrials♥	1616.73	1631.63	1635.22	1635.22 (26/4)	1461.72 (14/1)	1635.22 (26/4/99)	3.52 (30/6/32)
Financial♥	149.88	151.41	148.23	151.42 (22/4)	123.72 (9/2)	151.42 (22/4/99)	7.13 (4/9/74)
Others							
NYSE Comp.	640.32	643.27	638.83	643.27 (27/4)	576.62 (9/2)	643.27 (27/4/99)	4.64 (25/4/42)
Amex Comp	777.69	774.07	771.80	777.69 (28/4)	683.61 (4/1)	777.69 (28/4/99)	524.20 (16/7/98)
NASDAQ Cmp	2550.37	2602.21	2652.05	2652.05 (26/4)	2208.05 (4/1)	2652.05 (26/4/99)	54.87 (3/10/74)
Russell 2000	433.53	435.16	434.97	436.16 (27/4)	383.37 (23/3)	481.41 (21/4/98)	123.38 (7/12/83)

RATIOS

	Apr 23	Apr 16	Apr 9	Year ago
Dow Jones Ind. Div. Yield	1.51	1.51	1.56	1.55
	Apr 28	Apr 21	Apr 14	Year ago
S & P Ind. Div. yield	1.07	1.08	1.08	1.35
S & P Ind. P/E ratio	42.14	41.60	41.48	30.29

US DATA

MARKET ACTIVITY

Volume (million)	Apr 28	Apr 27	Apr 26
NYSE	951.790	893.149	712.040
Amex	38.351	37.721	28.878
NASDAQ	1,009.2	1,142.8	1,062.8

NYSE	Apr 28	Apr 27	Apr 26
Issues Traded	3,527	3,573	3,541
Rises	1,735	1,761	1,457
Falls	1,279	1,247	1,583
Unchanged	513	565	541
New Highs	88	95	79
New Lows	28	46	18

NYSE TRADING ACTIVITY

Volume : 951,790,000

ACTIVE STOCKS Wednesday	Stocks traded	Close price	Day's change
McHBOC	40,541,200	34¾	−30⅜
AmOnLine	29,188,000	144⅝	−9⅞
AT&T	12,157,800	54⅞	+1¼
Compaq	11,453,300	23⅝	−½
Disney	11,288,800	32¼	−⅜
STERIS	11,247,100	15⅝	−7⅝
Merck	7,272,400	70⅞	−2¼
LucentTch	6,715,300	60⅞	−⅝
Alcoa	5,888,800	62	+6¼
DuPont	5,835,200	74	+4⅝

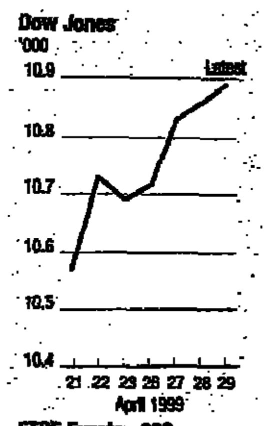
BIGGEST MOVERS Wednesday	Close price	Day's change	Day's chge %
Ups			
Lawter Int	12	+3⅛	+34.3
LaborRdy	38¾	+7⅞	+24.5
Oneida Ltd	25⅝	+4⅝	+20.6
Lumitaca	15½	+2⅜	+18.8
Downs			
McHBOC	34¾	−30⅜	−47.2
STERIS	16⅝	−7⅝	−32.5
Arva Grp	10⅝	−2	−15.5
Seagate	28⅜	−3¼	−10.1

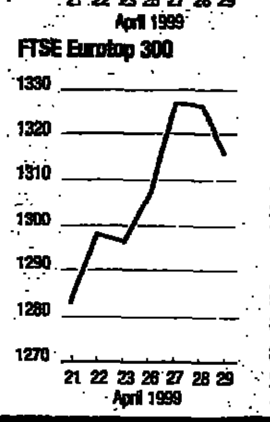
NASDAQ TRADING ACTIVITY

Volume :1,009,197,000

ACTIVE STOCKS Wednesday	Stocks traded	Close price	Day's change
Micsft	27,805,900	82⅝	−1⅞
DellCmp	19,166,800	41⅝	−1⅞
Intel	14,518,800	61⅜	−1⅛
AppMat	11,552,200	54⅜	−4¾
FORESy	10,794,500	33⅜	−⅜
Oracle	10,098,800	27⅜	−⅝
Amz.com	9,634,700	192⅝	−13
MCIWcm	9,315,200	87⅞	+⅛
BMC Softw	9,308,400	43¼	+1½
CiscoSys	9,115,300	111¾	−3⅜

BIGGEST MOVERS Wednesday	Close price	Day's change	Day's chge %
Ups			
MetamorWw	19½	+3½	+21.9
Cal Micro	17¾	+2⅝	+17.8
Romac	10⅞	+1⅞	+16.9
AloBld	23	+3⅛	+15.8
Downs			
VeriSign	103¼	−20⅞	−16.8
BeaSys	23⅛	−3⅜	−13.9
Quantm	17⅛	−2⅞	−13.8
PSINet	50⅜	−7⅝	−13.5





JAPAN

	Apr 29	Apr 28	Apr 27	1999 High	1999 Low	Since compilation High	Since compilation Low
Nikkei 225	(c)	16942.24	16957.27	16957.27	13232.74	38915.90	85.25

Day's high: – Day's low: –

TOKYO TRADING ACTIVITY

Volume : 677,470,000

ACTIVE STOCKS Wednesday	Stocks traded	Close price	Day's change
Sakura	43,271,000	460	+17
FujiBk	36,593,000	910	+32
MitTrB	14,712,000	185	
YasTrB	12,312,000	151	−4
NpStl	11,856,000	270	−3
IndBk	11,172,000	988	+28
Renown	9,844,000	142	+20
SumTrB	8,519,000	575	+14
NKK	8,449,000	97	
DaiwaBk	8,124,000	230	

BIGGEST MOVERS Wednesday	Close price	Day's change	Day's chge %
Ups			
Renown	142	+20	+16.4
Tsgami	300	+30	+11.1
DtTxC	1391	+111	+8.7
Stackdo	1824	+124	+7.3
NSK	655	+44	+7.2
TokbMa	280	+19	+7.0
Downs			
NtCkm	1090	−90	−7.6
Nogase	535	−38	−6.3

FRANCE

	Apr 29	Apr 28	Apr 27	1999 High	1999 Low	Since compilation High	Since compilation Low
CAC 40	4371.53	4374.70	4390.92	4390.92	3858.72	4390.92	984.61

Day's high: 4390.62. Day's low: 4328.67

PARIS TRADING ACTIVITY

Volume : 562,520,440

ACTIVE STOCKS Thursday	Stocks traded	Close price	Day's change
Sidel	1,837,416	98.5	+13.8
Alctel	1,568,329	118.6	−2.8
TomR	1,524,148	126.5	+6
ElfAqu	1,258,384	143	+6
MchinB	1,111,883	43.3	−2.2
Usinor	1,003,410	14.75	+0.55
Renault	1,002,801	39	−0.1
FrTele	841,784	77.2	−0.8
Axa	823,900	121.4	−0.1
PechnyA	814,793	38.75	+1.04

BIGGEST MOVERS Thursday	Close price	Day's change	Day's chge %
Ups			
Sidel	98.5	+13.8	+16.3
G'psys	48.79	+2.69	+5.8
CCF	96.8	+4.8	+5.2
Tchnip	111.5	+5.5	+5.2
Downs			
MchinB	43.3	−2.2	−4.8
AirLiq	146	−6.9	−4.5
STMicro	98	−4.1	−4.0
UnAsFd	105.3	−4.2	−3.8

GERMANY

	Apr 29	Apr 28	Apr 27	1999 High	1999 Low	Since compilation High	Since compilation Low
DAX	5334.42	5346.61	5347.50	5443.62	4678.72	6171.43	931.18

Day's high: 5347.40. Day's low: 5284.13

FRANKFURT TRADING ACTIVITY

Volume : (u)

ACTIVE STOCKS Thursday	Stocks traded	Close price	Day's change
BASF	795,880	42.1	−0.15
Bayer	362,795	39.15	−0.82
Siemns	252,080	69.55	+0.35
DmlrCh	224,075	92.35	−1.55
VW	192,806	66.4	−1.1
RaglKug	183,368	9.85	+0.2
Veba	147,365	51.1	+1
Contnl	143,711	24.7	+0.75
ThyKrp	140,984	19.9	−0.2
Trielt	138,147	10.4	+0.9

BIGGEST MOVERS Thursday	Close price	Day's change	Day's chge %
Ups			
BWBg	24	+2.15	+9.8
Trielt	10.4	+0.8	+8.5
Plettc	60	+5	+9.1
BabBsc	47	+3.4	+7.8
Downs			
MAN	29.25	−1.75	−5.6
MANPf	19.15	−0.95	−4.7
K&S	128.2	−5.3	−4.0
DtgWrk	85.5	−3.5	−3.9

UK

	Apr 29	Apr 28	Apr 27	1999 High	1999 Low	Since compilation High	Since compilation Low
FTSE 100	6487.6	6538.8	6583.6	6590.80	5770.20	6596.80	986.90

Day's high: 6568.0. Day's low: 6469.6.

LONDON TRADING ACTIVITY

Volume : 1,080,600,000

ACTIVE STOCKS Thursday	Stocks traded	Close price	Day's change
Tesco	58,102,650	177½	−9¼
Thomson Trvl	35,018,230	130½	−24
Shell	31,589,270	461¼	+7
First Choice	28,885,090	200½	+7½
BP Amoco	24,912,970	1169¾	+9¼
Brit Steel	18,844,080	148¾	+5
Legal & Gen	16,971,920	177	−10
SmithKline	16,121,310	815½	−25
Billiton	14,469,400	208¾	+16¼
ASDA	14,351,680	203	−5

BIGGEST MOVERS Thursday	Close price	Day's change	Day's chge %
Ups			
4 de Grocky	285	+60	+26.7
McAlpine A	230	+37½	+19.5
Affinity	208½	+32	+18.1
Voyager 2000	10	+1½	+17.7
Downs			
Albemarle	45	−11	−19.6
Antinax	21	−5	−19.2
ECsoft Grp	1187½	−275	−18.8
Lorien	126½	−29	−18.4

INDEX FUTURES

S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Jun	1358.40	1362.00	+3.00	1363.80	1352.60	79,452	374,212
Sep	–	1372.20	–	–	–	296	5,700
Nikkei 225	**Open**	**Sett price**	**Change**	**High**	**Low**	**Est. vol.**	**Open Int.**
Jun	17110.0	16980.0	−10.0	17130.0	16870.0	25,481	213,171
Sep	17000.0	16910.0	−90.0	17100.0	16810.0	17	6,614

Open interest figures for previous day.

CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Apr	4350.0	4378.0	+10.0	4393.0	4330.0	85,479	37,775
May	4332.0	4363.5	+10.5	4379.0	4317.0	46,206	83,902
DAX							
Jun	5335.0	5345.0	−6.0	5368.0	5300.5	44,688	332,725
Sep	5364.0	5378.0	–	5390.5	5338.5	66	3,714

OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
May	774.25	776.25	−2.25	782.00	771.00	19,672	131,306
EUREX							
Jun	7295.0	7272.0	−67.0	7325.0	7237.0	19,513	107,135
Sep	7319.0	7288.0	−82.0	7319.0	7257.0	195	4,358

WORLD MARKETS AT A GLANCE

Country	Index	Apr 29	Apr 28	Apr 27	1999 High	1999 Low	✣ Yield	✣ P/E
Argentina	General	15855.20	15481.45	15287.71	15584.86 21/4	14484.90 14/1	3.92	14.2
Australia	All Ordinaries	3104.9	3122.7	3145.2	3145.20 27/4	2804.80 14/1	2.82	24.8
	All Mining	831.5	812.7	811.5	849.10 19/4	552.90 12/4		
Austria	ATX Index	1282.79	1263.08	1272.63	1282.79 29/4	1011.25 22/1	2.3	13.9
Belgium	BEL20	3253.43	3237.47	3257.86	3661.92 8/1	3186.75 24/3	1.63	20.2
Brazil	Bovespa	11156.0	11127.0	10865.0	11590.08 7/4	5057.00 14/1	7.17	na
Canada	TSE 100	431.46	432.74	431.08	432.74 28/4	[illegible]	1.57	20.8
	Metals & Minls	325.04	[illegible]	[illegible]	[illegible]	[illegible]		
	TSE300Comp	7085.80	7101.07	7083.29	7101.30 28/4	[illegible]		
	Portfolio	3837.54	3846.66	3830.47	3857.26 12/4	[illegible]		
Chile	IPSA Gen	4416.69	4438.87	4370.10	4604.29 20/4	3287.53 14/1	2.51	15.5
China	Shanghai B	26.60	26.68	26.58	28.58 6/1	21.38 9/3	1.34	25.3
	Shenzhen B	53.84	54.27	55.60	63.42 15/4	41.59 10/3		
Colombia	IBB	(c)	1128.24	1118.95	1128.24 28/4	858.79 4/2	1.49	5.4
Czech Republic	PX 50	410.1	410.8	411.6	413.80 6/1	338.46 1/3	na	na
Denmark	CopenhagenSE	837.90	833.34	822.34	860.71 5/1	885.81 16/3	1.57	18.4
Egypt	Cairo SE Gen	458.74	460.19	461.83	483.08 22/4	398.42 11/1	na	na
Finland	Hex General	6771.89	6703.92	6843.74	7030.24 22/4	5879.65 10/2	1.33	26.2
France	SBF 250	2773.72	2775.07	2781.01	2781.01 27/4	2307.84 13/1	2.29	20.1
	CAC 40	4371.53	4374.70	4390.92	4390.92 27/4	3858.72 13/1		
Germany	FAZ Aktien	1685.81	1690.87	1688.23	1709.29 8/1	1489.00 4/3	1.33	19.6
	DAX	5334.42	5346.61	5347.50	5443.62 6/1	4678.72 4/3		
Greece	Athens Gen	3323.54	3549.70	3431.31	3774.29 19/3	2768.21 13/1	1.39	32
	FTSE/ASE 20	2197.69	2230.18	2157.61	2388.05 14/4	1798.67 13/1		
Hong Kong	Hang Seng	13179.70	13133.39	13394.79	13394.79 27/4	9076.33 10/2	2.59	20
	HSBC Red Chip	970.70	958.35	951.93	1067.21 22/4	659.32 9/2		
Hungary	Bux	5972.50	6008.61	6087.78	6943.09 8/1	5253.03 4/3	na	na
India	BSE Sens.	3325.89	3272.71	(c)	3784.11 9/3	3122.04 4/1	2.02	13.6
	S & P CNX 500	667.87	648.67	(c)	758.25 31/3	630.19 4/1		
Indonesia	Jakarta Comp.	490.99	481.34	469.20	508.14 19/4	372.31 15/3	2.57	19.4
Ireland	ISEQ Overall	5255.26	5295.86	5315.51	5437.91 13/4	5064.85 14/1	1.79	20.5
Israel	Tel Aviv 100	372.91	369.58	376.64	382.87 25/4	289.44 10/2	na	na
Italy	BCI Comit 30	364.70	368.38	369.15	378.07 5/1	323.38 9/2	2.07	24.3
	Banca Com Ital	1568.89	1572.26	1570.37	1598.78 7/1	1398.58 10/2		
	Mibtel General	24845.0	24909.0	25024.0	25297.00 8/4	22398.00 9/2		
Japan	Nikkei 225	(c)	16942.24	16957.27	16957.27 27/4	13232.74 5/1	0.77	64.2
	Nikkei 300	(c)	269.67	270.61	270.61 27/4	208.20 5/1		
	Topix	(c)	1347.84	1350.42	1350.42 27/4	1048.33 5/1		
	2nd Section	(c)	1766.42	1758.60	1766.42 28/4	1153.18 14/1		
Jordan	Amman SE	173.70	173.79	172.88	185.59 7/3	168.48 1/3	na	na
Malaysia	KLSE Comp.	668.72	661.83	670.02	673.90 28/4	494.57 24/3	2.15	18.6
Mexico	IPC	5549.13	5458.16	5362.39	5558.44 16/4	3300.42 13/1	1.15	17.5
Morocco	CASA	773.87	772.89	770.55	846.82 1/2	758.50 14/4	na	na
Netherlands	CBS TtlRtnGen	1435.1	1433.2	1426.6	1435.10 29/4	1241.10 13/1	2.06	29
	CBS All Shr	796.2	795.2	791.6	796.20 29/4	690.70 13/1		
New Zealand	Cap. 40	2292.84	2278.31	2271.07	2292.84 29/4	2103.80 10/2	4.43	23.8
Nigeria	SE All-Share	5315.71	5319.86	(u)	5657.40 4/1	5290.89 20/4	na	na
Norway	Oslo SE Ind	2012.80	1989.92	2003.42	2012.80 29/4	1652.92 13/1	1.89	16.3
Pakistan	KSE-100	1095.51	1092.18	(c)	1095.51 29/4	852.44 8/2	na	na
Peru	Lima Gen	1630.44	1637.10	1644.93	1645.07 22/4	1265.29 14/1	1.25	0.2
Philippines	Manila Comp	2433.49	2459.99	2420.85	2459.99 28/4	1884.59 11/2	1.08	19.4
Poland	Wig	15012.1	15322.3	15461.3	15515.80 23/4	12591.10 15/1	0.74	19.1
Portugal	BVL 30	4466.45	4496.42	4463.15	5258.85 6/1	4370.85 18/3	2.24	25.4
	PSI 20	10213.37	10283.94	10227.99	12120.85 6/1	10063.08 18/3		
Russia	RTS	87.16	81.47	83.72	90.02 17/3	54.48 29/1	na	na
Singapore	SES All-S'pore	493.79	498.30	510.29	510.29 27/4	351.45 10/2	1.63	29.3
	Straits Times	1818.49	1837.16	1876.39	1876.39 27/4	1286.58 10/2		
Slovakia	Sax	78.89	78.89	78.80	98.88 14/1	73.67 21/4	na	na
South Africa	JSE All Share	6867.0♥	6822.7	(c)	6892.78 19/4	5404.90 4/1		
	Gold (RK14)	983.3♥	960.5	(c)	1032.10 19/4	849.19 1/3		
	JSE Indl.	7462.3♥	7454.9	(c)	7711.00 19/3	6261.58 4/1		
South Korea	KoreaCmpEx**	752.61	790.03	793.98	793.98 27/4	498.42 24/2	0.66	26.6
Spain	Madrid SE	888.80	888.05	892.56	931.55 5/1	822.77 13/1	1.94	21.2
Sri Lanka	CSE All Share	(c)	548.70	546.55	587.79 13/1	529.81 18/3	na	na
Sweden	AffarsvarldnGen	3677.8	3698.2	3713.3	3713.30 27/4	3268.40 13/1	1.86	21.8
Switzerland	SMI Index	7304.6	7360.9	7377.3	7668.80 8/1	6891.20 10/2	1.29	22.3
	SPI General	4688.55	4715.93	4721.13	4781.92 6/1	4382.03 10/2		
Taiwan	WeightedPr.**	7289.62	7496.61	7550.13	7629.08 26/4	5474.79 5/2	0.97	23.4
Thailand	Bangkok SET	432.49	423.22	425.33	432.49 29/4	313.65 11/2	0.55	9.6
Turkey	IMKB Nat 100	5440.27	5483.68	5295.84	5483.68 28/4	2408.87 25/1	2.09	24.2
Venezuela	IBC	5414.89	5551.51	5455.49	5551.51 28/4	3705.91 5/3	1.59	18.1
Zimbabwe	ZSE Industrial	8709.53	8783.55	8897.11	9054.94 7/4	6485.84 5/1	na	na
WORLD	FT/S&P World($)	(u)	333.49	335.13	335.13 27/4	290.56 3/3	na	na
	MS Capital Intl$	(u)	1250.3*	1252.1	1255.30 27/4	1121.80 10/2	na	na
CROSS-BORDER	DJ Stoxx 50	3734.52	3763.44	3764.53	3764.53 27/4	3280.29 10/2		
	DJ Euro Stx 50	3735.91	3743.49	3756.20	3756.20 27/4	3325.58 10/2		
	FTSE E300	1316.25	1327.03	1327.70	1327.70 27/4	1164.86 10/2		
	FTSE E100	3043.06	3063.98	3054.08	3054.08 27/4	2669.70 10/2	na	na
	HSBC Drgn	(u)	290.37	294.92	294.92 27/4	204.59 9/2	na	na
	ING Brngs Emrg	(u)	139.74	138.27	139.74 20/4	108.82 15/1	na	na

Argentina, Australia, Austria, Belgium, Brazil, Canada, Chile, China, Czech Republic, Denmark, Egypt, Finland, France, Germany, Greece, Hong Kong, Hungary: market comments [illegible]

India: Ended higher for second day running, helped by overseas orders and short-covering by local speculators.
Indonesia: Foreigners inspired by firm rupiah, encouraging company results and falling interest rates. Rises beat falls by 7 to 3.
Ireland: Closed modestly lower, hit by profit-taking as London market retreated after five-day good run.
Israel: Changed course abruptly at midsession to end firmly higher, breaking two-day bout of profit-taking.
Italy: Erased early gains to finish lower as investors remained worried about economic impact of Kosovo conflict on Italy.
Jordan: Rose modestly in quiet end-of-month trading. Jordan Cement Factories rose 5.1 per cent, leading the gainers.
Malaysia: Rebounded on thinner volumes. Rises trounced falls by 7 to 2.
Mexico: ✣Reacted positively to upbeat first quarter corporate results and optimism about country's economy.
Netherlands: Gains in publishers, Baan and Royal Dutch saved market from sharp fall.
New Zealand: Carter Holt Harvey and Fletcher group recorded strong gains while Telecom eased back.
Norway: Strong oil prices triggered gains in offshore related companies.
Pakistan: Profit-taking in energy and telecom shares sapped early morning rally leading market to close easier.
Poland: Shares fell for second straight day on profit-taking.
Portugal: Banco Sotto soared, against trend, on growing expectations of good first quarter results.
Russia: New IMF lending to Russia sent market sharply higher.
South Africa: Shares launched last minute comeback after volatile session dominated by derivatives-related trade.
Spain: Stocks ended almost flat although market's biggest stock, Telefonica slipped after impressive gains earlier in week.
Sweden: Declines among telecoms and drugs stocks left market weaker in spite of rally staged by cyclical shares.
Switzerland: Profit-taking and technical selling puts pressure on market.
Turkey: Profit-taking erased early sharp gains which once again reflected hopes for stable government.
Venezuela: ✣Shares slipped after government announced a new 0.5 per cent financial transaction tax would be levied on stock trading.
Zimbabwe: Concerns over economic and political fundamentals sent market lower.

[illegible] ‡ Correction. * Calculated at 15.00 GMT ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. [illegible] on Datastream Total Market Indices. ✣ Midsession.

THE NASDAQ-AMEX MARKET GROUP

4 pm close April 29

Stock	Div.	P/E	Vol 100s	High	Low	Last	Chng
[illegible]							

AMEX

4 pm close April 29

Stock	Div.	P/E	Vol 100s	High	Low	Last	Chng
[illegible]							

STOCK MARKETS

Hopes of upturn give investors comfort

WORLD OVERVIEW

European markets closed in the red but off their lows, taking some comfort from a strong start on Wall Street and increasing signs of an economic upturn at home, *writes Bertrand Benoit.*

Frankfurt closed 0.6 per cent down, dragged lower by heavy losses in Lufthansa, while Paris emerged from an early dip to finish only slightly lower. Oslo, Madrid *and Copenhagen were the* only European bourses to keep their head above water.

New York continued to send mixed signals, with the Dow Jones Industrial Average edging higher thanks to benign employment data, while the technology-heavy Nasdaq came under renewed pressure. Internet stocks suffered an early sell-off, sparked by disappointing results and a bleak outlook *from on-line bookseller Amazon.com.*

The recent pattern of rising basic industrial stocks and declining growth issues continued in Europe as economic data from France seemed to confirm the brightening outlook for the continent's economy.

The national statistics agency released its April industrial survey yesterday, showing a drop in production but an increase in optimism for the near future among industrialists.

This *followed* a bottoming of the ifo survey in Germany and a pick-up in the closely monitored Belgian National Bank manufacturing survey, published on Friday.

According to J.P. Morgan, construction, steel and engineering stocks should be the main cyclical sectors to benefit from the bright*ening outlook for growth.*

The European team at BT Alex Brown was more cautionary, saying the market was hearing mixed signals.

"The bottom of the cycle sees conflicting trends emerge – low interest rates tend to boost equities while weakening earnings tend to point to equity markets falling," wrote the team in a note published yesterday.

Asia was subdued with Tokyo closed for the day. Seoul was particularly weak, responding to investors' worries that the government might sell its stakes in two of the country's main banks in a bid to cool down a two-month rally.

Despite a sharp drop in January, the Seoul composite index has risen more than 157 per cent since its trough in September.

Techs hit by more selling as Dow rises

AMERICAS

Technology stocks sold off for a third day on Wall Street at midday, while cyclical and financial shares pushed the blue-chip sector higher, *writes John Labate in New York.*

The market was again divided. The Dow Jones Industrial Average climbed 24.91 from Wednesday's record close to 10,870.36, but the broader Standard & Poor's 500 index fell 5.79 to 1,345.12.

Investors sold off internet and other computer-related stocks on earnings news, driving the Nasdaq composite down 42.43 or 1.7 per cent to 2,507.94.

Banking stocks traded higher as bond prices rallied after the release of a better-than-expected employment cost index for the first quarter. Bond investors were relieved that labour costs were well contained, sending the 30-year long bond up $\frac{11}{32}$ by midday to 95$\frac{11}{32}$, to yield 5.527 per cent.

Among financial stocks in the Dow, Citigroup rose $2 to 76\frac{1}{8}$ *while American* Express gained 4\frac{1}{8}$ to 137\frac{1}{4}$. Alcoa, a strong performer in recent weeks, gained another 1\frac{1}{4}$ to 63\frac{1}{4}$. Retailer Wal-Mart lost 1\frac{1}{8}$ to 47\frac{1}{4}$ after its rating by Prudential Securities was cut to "hold".

Internet stocks continued to sell off as a group. Amazon.com lost $24 or 12.4 per cent to 169\frac{3}{4}$ a day after it reported stronger earnings growth than expected for the first quarter. Other high-tech sectors were lower as well, with semiconductor producers and equipment makers off sharply. Texas Instruments lost 4\frac{1}{8}$ to 106\frac{11}{16}$ while Teradyne tumbled more than 11 per cent or 6\frac{1}{8}$ to 47\frac{1}{8}$.

Computer makers also weakened. Dell Computer was off $$\frac{3}{8}$ to 40\frac{1}{8}$.

In telecoms, MCI/WorldCom slid more than 5 per cent or 4\frac{1}{8}$ to 83\frac{1}{8}$ after beating expectations in its latest quarterly report. Other stocks were down in the sector with AT&T off $$\frac{1}{4}$ to 53\frac{1}{4}$. But MediaOne, the target of a recent takeover attempt by AT&T, rose $$\frac{1}{8}$ to 79\frac{3}{8}$.

Downward momentum among small-company shares sent the Russell 2000 index down 2.61 to 430.92.

TORONTO moved lower in early trading with weak telecoms and gold sectors setting the direction. At noon, the 300 composite index was off 3.07 at 7,098.00.

Telecoms continued to meet with profit-taking and shares in the sector fell *heavily for a second day running.* BCE lost C$2 at C$68.95 and Northern Telecom came *off C$2.40 at C$102.35.*

Golds were also on the defensive. Barrick shed 15 cents at C$29.65 and Placer Dome came off 40 cents at C$20.00.

Banks were mixed, but by the close of morning trading they had moved only modestly. Royal Bank of Canada added 5 cents at C$72.95 and Toronto-Dominion eased 10 cents at C$79.60.

Alcan Aluminium put on C41.20 at C$46.25. Inco gained 70 cents at C$27.10. Renaissance Energy rose 95 cents to C$22.25.

São Paulo turns up in wake of rate cut

SAO PAULO was *slightly* higher following a cut in the central bank's Selic refer*ence rate late on Wednesday.*

The market had seen profit-taking in early trading but *rose into the black following* a steady start on Wall Street. The Bovespa index was 7 or 0.1 per cent higher at 11,135 at midsession.

MEXICO CITY was 69.08 or *1.3 per cent higher at 5,527.24* on the IPC index at midsession as investors cheered some positive first-quarter corporate results and an increasingly upbeat economic outlook.

BUENOS AIRES was up 1.3 per cent at midsession, with the Merval index *adding 6.38 to 512.87*, given a boost by foreign buying.

Oil group YPF rose 0.80 *pesos to 34.90 pesos after* reporting first-quarter earnings that came in above expectations.

CARACAS fell 2.4 per cent in early trade after the government announced a new 0.5 per cent financial transactions tax would be levied on stock trading.

The IBC index was 134.34 lower by midsession at 5,417.17.

Poor earnings sour Frankfurt

EUROPE

European markets were *mostly weaker despite a late* recovery that helped some of them recoup their earlier losses while allowing Madrid, Oslo and Copenhagen to finish slightly in the black.

Basic industry and energy stocks finished mostly higher, helped by the appetite of investors for cyclical plays. Oil and gas issues rose 2 per cent, while the smaller forestry and paper and mining sub-indices added 2.7 and 6 per cent. Information technology stocks were 2 per cent weaker following a sell-off in their US peers.

The FTSE Eurobloc 100 index, which covers leading companies in the euro-zone, closed 2.68 or 0.3 per cent lower at 1,077.34. The FTSE Eurotop 100, covering countries inside and outside monetary union fell 20.92 to 3,043.06, while the broader FTSE Eurotop 300 settled 10.78 lower to 1,316.25.

For full FTSE European indices see Euro Markets page.

Earnings disappointments continued to hamper FRANKFURT with uncertain trading statements from the chemicals sector and airline *Lufthansa further souring* the investor mood.

Unexciting first-quarter *figures sent BASF and* Hoechst steeply lower in early trading. The former recovered to *close 44* cents ahead at €42.40, but Hoechst finished off €1.44 at €42.50. Bayer shed 43 cents at €39.37. Lufthansa, which warned of a fall in 1999 profits, fell 73 cents to €21.62.

Coming hard on top of Wednesday's disappointing trading statement from motor giant Volkswagen, the quarterly reports sparked a broad sell-off, although there was a fairly determined attempt at a rally towards the close of trading.

The Xetra Dax index ended down 29.68 at 5,323.06 after a session low of 5,285.20.

VW, which ran into a swathe of broker downgrades for the second day *running, tumbled €1.50 to* €65.80 for a two-day decline of 8.3 per cent. The shares *stood at €80 in January.*

PARIS ended negative despite paring much of its losses in late trading. The CAC-40 shed 3.17 or 0.1 per cent to 4,371.53, helped from its lows by an early rally on Wall Street and figures showing an overall improvement in business confidence.

The latest INSEE industrial survey showed a fall in output this month, but suggested manufacturers were more optimistic about prospects.

Among the main winners, oil stocks cheered the latest rally in oil prices, with Elf-Aquitaine rising €6 or 4.4 per cent to €143 and Total €6 or 5 per cent to €126.50.

CCF was back on the radar screen after weeks of inaction in the shadow of the *BNP-Société Générale-Paribas* merger battle.

CCF shares shot up €4.80 *or 5.2 per cent to €96.80 after* shareholders ING of the Netherlands and KBC of Belgium *said* they *had* upped their stakes.

Meanwhile, a mixed batch of company results provided pretexts for investors to cash profits. Air Liquide retreated €6.90 or 4.5 per cent to €146 and Michelin lost a sharp €2.20 or 4.8 per cent to €43.30 on disappointing first-quarter figures.

Alcatel delivered in-line first-quarter sales but came under pressure following a retreat in US peers. The telecom equipment company gave up €2.80 to €116.60.

AMSTERDAM ended 2.01 lower at 573.52 on the AEX index and would have been even more depleted but for an upbeat session for heavyweight Royal Dutch, which *responded to strong international oil prices with a rise* of 2.8 per cent.

Unilever shed 90 cents at €64.80 after a downbeat first-quarter statement from the foods-to-detergents giant, and telecoms leader KNP came off €1.60 at €39.50 on regulatory concerns. Steel group Hoogovens lost €1.05 at €37.95.

Royal Dutch was a beacon of bullish sentiment among the prevailing gloom. The stock added €1.50 at €55.10.

ZURICH gave ground as profit-taking put pressure on the market and the SMI index finished 56.3 lower at 7,304.6.

Novartis stayed on a downward path, losing SFr30 to SFr2.225 while Roche certificates ran into profit-taking, falling SFr230 to SFr17.955. Food and beverages group Nestlé picked *itself up from a fall below* the psychologically important SFr2,800 level to close SFr3 *higher at SFr2,813.*

Insurers, steady in early trade, ran into losses with *Swiss Re down SFr22 to* SFr3,338 while Zurich Allied, *due to release 1998 results* today, fell SFr1 to SFr992.

SAirGroup gave up SFr4 to *SFr352.50 after news of a* joint venture with freight forwarder Panalpina.

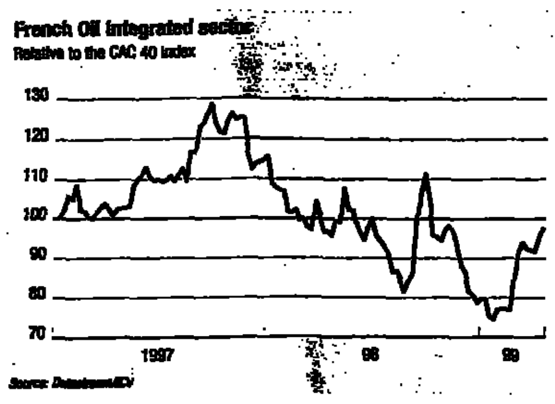
Kuoni shot to a high of SFr5,500 as Britain's Airtours launched a rival bid for tour operator First Choice, with which Airtours plans to merge. But by the close, Kuoni was SFr5 lower at SFr5,400.

HELSINKI succumbed again to a drop in Nokia, the Hex index falling 22.04 or 0.3 per cent to 6,771.88 despite sharp rises in a handful of companies reporting better-than-expected results.

Among gainers was JOT Automation, up €5.05 or 20.2 per cent to €30 on good first-quarter figures. Also reporting positive results were UPM-Kymmene, up 80 cents to €28.70, and metals group Outokumpu, up 40 cents to €10.60.

Nokia continued to suffer as profit-takers stepped in following last week's gains. The market heavyweight closed down €1.60 at €69.80.

MOSCOW shot up 7 per cent on Wednesday's news the International Monetary Fund would lend Russia $4.5bn over 18 months. The RTS index put on 5.69 to *87.16, but analysts noted* neighbouring markets were less enthusiastic because of *the strings attached.*



Written and edited by Michael Morgan, Jeffrey Brown, Peter Hall and Paul Gregan

Jo'burg rallies in late spurt

SOUTH AFRICA

Shares in Johannesburg rose for the third successive session, adding 44.3 at 6,967.0 on the all share index following a sharp rally late in the day.

Industrials improved 7.4 at 7,462.3, but the main boost to the day came from golds, which rose 22.8 to 983.3 on robust buying as the March quarterly reporting season stayed upbeat.

JCI Gold advanced 73 cents to R6.

Bank talk cools Seoul fever

ASIA PACIFIC

Sellers returned to the market *en masse* in SEOUL yesterday after reports, later denied, that the government would sell stakes in two of the country's main banks.

It was thought the government wanted to cool down the market rally that has sent the composite index up 48 per cent over the last two months.

The index shed 37.42 or 4.7 per cent to 752.61 as investors ignored figures showing a 12.3 per cent quarterly rise in industrial output. Traders said that low stocks suggested manufacturers *had not recovered* confidence in the economy.

The sell-off hit mostly blue chips, banks and securities firms. Among the most affected was SK Telecom, down Won152,000 to Won1.2m. Pohang Iron and Steel shed Won6,200 to Won88,000, while Hyundai Securities fell Won5,000 to Won43,500.

Tokyo was closed yesterday for a public holiday

BANGKOK posted a 2 per cent gain, ahead of most other markets in the region, with the SET index 8.51 higher to 431.78.

It was boosted by a sharp rally in Siam Commercial Bank, Bt3.25 or 12.4 per cent higher to Bt29.50 after it successfully placed Bt32.5bn worth of new shares mainly to foreign buyers, with the finance ministry agreeing to buy another Bt32.5bn.

Thai Military Bank rose *Bt2 to Bt15 after saying it* would issue Bt12bn in debt and equity instruments.

KUALA LUMPUR swung higher after two days of profit-taking, boosted by renewed foreign buying and another good session for the rupiah, which stayed firm against the dollar.

Medco Energi surged Rp425 to Rp1,700 and Telkom gained Rp100 at Rp3,600. Tobacco group Gudang Garam rose Rp525 to Rp14,400. The composite index ended 9.65 or 2 per *cent higher at 490.99.*

TAIPEI moved lower in moderate turnover with dis*appointing first-quarter* results from United Microelectronics sparking heavy selling in the important electronics sector.

Brokers said foreign investors, keen to lock in profits, were net sellers to the tune of T$495m.

United Micro fell by the daily 7 per cent limit or T$4 at T$53.50 after first-quarter pre-tax earnings came in 60 per cent below the same quarter a year ago – a steeper decline than analysts had predicted.

The weighted index closed off 206.99 or 2.8 per cent at 7,289.62.

BOMBAY was higher on foreign fund buying and end-of-account short-covering by local speculators.

The BSE-30 index climbed 52.98 to 3,325.69 as an absence of more negative news on the political front reassured the market.

Among leading gainers, Digital Equipment India put on Rs28 to Rs378.25 and Zee Telefilms climbed Rs83.50 to Rs1,128.25.

HONG KONG overcame early weakness as bargain *hunters turned out to end a* brief correction, and the Hang Seng index finished up *46.81 at 13,179.70, having hit* an early session low of 12,881.60.

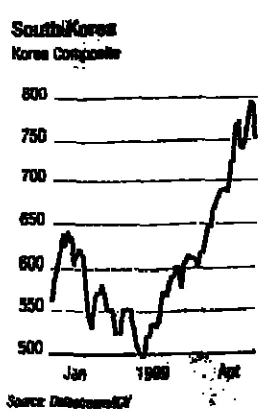
HSBC gained HK$3 to close at HK$288 while Hongkong Telecom reversed course to finish 30 cents higher at HK$20.70.

SYDNEY lost ground as broad market weakness took the shine off a strong performance among resources.

BHP jumped 42 cents to A$16.56 to help lift the resources sector 2.4 per cent. In the end, though, a negative tone prevailed.

Banks were notably dull and there was a steep fall at media giant *News Corp,* which lost 55 cents or 4.1 per cent at A$12.84.

The All Ordinaries index finished an active session with a decline of 17.8 at 3,104.9.



EMERGING MARKET FOCUS

Manila springs back into life

For Philippine stockbrokers, the last month has been a long-awaited throwback to the good times before the Asian economic crisis.

The sluggish Manila dealing rooms of last year have come back to life as the Philippines has caught on to an upsurge of liquidity around Asian markets.

It is still a far cry from heady pre-crisis boom times and concerns remain about whether the economic and earnings outlook justifies *the recent rally, but suddenly there are murmurings* about a "bull market" again *around the broking houses.*

While the sharpest recovery came in low volumes last *year, the PSE 30 index has* risen 20 per cent since the start of April to 2,433, and the market has now *rallied* more than 120 per cent from a low of 1,082 on September *11 1997.*

Volumes have also picked up in this often-illiquid market from about $15m in the extended trading lulls last year to $60m-$80m amid rising foreign inflows as many funds scramble to build an exposure to Asian markets.

Driving the renewed interest have been the reduced perceptions of risk across Asian markets, a realisation of the greater-than-expected resilience of the economy, expectations of a recovery in earnings growth this year and, importantly, dramatic falls in interest rates.

The benchmark 91-day treasury bill rate has fallen to about 10.202 per cent from 20 per cent at the peak of the crisis early last year.

The yield on the 10-year dollar-denominated Philippine government bond has dropped from about 15 per cent last year to 8.4 per cent, *reducing the premium over* equivalent US treasuries from more than 550 basis *points to around 300.*

Matthew Sutherland, head of research at Paribas Asia Equity, says *if the 91-day* treasury bill rate drops to 9 per cent and the 10-year bond yield falls to around 7.5 per cent as expected, a PSE 30 index level of 2,875 would be "perfectly viable".

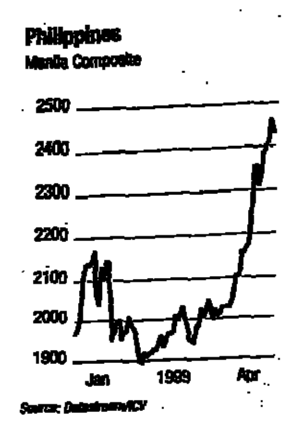
Scott Gibson, director of research at ABN-Amro, estimates the market is trading on a prospective 1999 price-earnings ratio *of* about 21 times. He says this is not that cheap compared with other Asian markets, but the Philippines, due to its lower liquidity levels, traditionally has traded at higher multiples to its peers.

In addition, the aggregate valuations for the market are skewed by steep PE multiples for a few index heavyweights that tend to be valued as asset plays at higher levels.

Mr Gibson says it would be not much of a stretch for the market to approach traditional PE levels of around 25 times, particularly given this was the low point of the earnings cycle when stocks tended to be valued at higher levels.

Doubts about the sustainability of the market's rally remain, however. The Philippines may suffer partly due to its small size and its relative resilience during the Asian crisis. With other countries hit harder by the *crisis, the sharper recovery* plays for investors may be found elsewhere.

Tony Tassell



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ASIAN FINANCIAL MARKETS

FRIDAY APRIL 30 1999

Shadow of the crisis casts gloom over banks

Although the financial market turmoil seems to have passed and there are signs that economic recovery may be in the offing, the immediate future is still uncertain, writes Peter Montagnon

"Let's face it," sighs Gabriel Singson, central bank governor of the Philippines. "The banks have become timid."

After nearly two years living in the shadow of the worst economic crisis in living memory, it is not surprising that many banks in Asia have lost the confidence to lend. The result, from Thailand to Japan has been a credit crunch that has intensified the recession and left the region in the grip of serious deflation.

But while officials such as Mr Singson worry about how to get credit flowing again, some banks are quietly exploiting opportunities to develop new markets. HSBC has signed a memorandum of understanding to buy Seoul Bank in South Korea, and US investment banks say they have begun to make good profits in Japan as the power of that country's large securities houses wanes.

Two questions preoccupy the region's financial sector as the second anniversary of Thailand's devaluation approaches. The first is that of whether economic recovery may at last be in the offing, symbolised by narrowing international bond spreads and a sharp rise in the region's stock markets since last autumn. The other, for those institutions lucky or canny enough to survive the turmoil, is how to position oneself for that recovery and the massive task of corporate and financial restructuring that still lies ahead.

For banks in the crisis countries, the rescue process generally has some way to run, says Roy Ramos, Asian banking analyst at Goldman Sachs in Hong Kong. Thailand has a government support programme but the banks are reluctant to use it. Malaysia is putting in government money, but there are doubts about the follow-up reforms in the corporate sector.

In Korea, considerable support has already been given. But with gearing levels still uncomfortably high in the country's largest conglomerates, further losses may be inevitable. More money will be needed, says Mr Ramos. Korea has a framework and is making progress, but "we will have to have a second or a third capitalisation".

More broadly the regional economic background remains uncertain. The financial market turmoil seems to have passed. Interest rates have fallen sharply from their crisis peaks, but there are still only modest signs of a revival of demand. Economists say these also mostly reflect an end to destocking and the large, but unsustainable fiscal stimulus which is now flowing through in many countries.

The immediate prospects for Japan and China, the region's two largest economies, are modest at best. The Japanese economy has begun to benefit from the massive dose of fiscal pump-priming injected by the government, but many economists are still expecting it to shrink this year.

With bank restructuring not yet complete and corporate restructuring only now getting under way, there are fears that the unemployment rate, already 4.6 per cent, will continue to increase. That will be bad for confidence, while Japan cannot afford to maintain the current dramatic fiscal stimulus into next year.

In China, the region's other locomotive, growth last year was officially 7.8 per cent, a shade below the 8 per cent target. This year it is expected to be around 7 per cent, but most economists believe official figures overstate the true output position.

Many China watchers were struck by the grim prognosis of prime minister Zhu Rongji at the National Party Congress last month when he forecast a very difficult year ahead for China. Uncertainty over China's economic outlook continues to cast a damper around the region. The economy is still in the grip of deflation, and many main industries, such as steel, are facing severe price competition from imports. This adds to the pressure on the government to devalue the renminbi.

Since the collapse of Guangdong International Trust and Investment Company last autumn, there has also been a credit squeeze on the non-bank financial sector which has aggravated a broader withdrawal of international bank credit from China. According to the Bank for International Settlements, international bank lending to China fell $6.3bn in the third quarter of last year.

For banks, continuing regional uncertainty means a careful choice of strategy is needed. One bright sign is that profits have been maintained in some centres, notes Mr Ramos. HSBC is still making a 15.5 per cent return on equity – that of its Hang Seng Bank subsidiary in Hong Kong is 14 per cent. OCBC in Singapore is making 8 per cent, which is not bad given the high level of capital there. Bank of the Philippine Islands made a 17 per cent return in 1998. Thanks to consolidation at the national level and the withdrawal of Japanese banks from the loan market, good institutions can still make money in Asia. "Banking is one of the few sectors in Asia that has real earnings power. Margins have been expanding," says Mr Ramos.

Yet, some commercial banks now believe the future lies in greater emphasis on retail banking. Not only has demand for credit fallen, says David Eldon, Hong Kong head of HSBC, but the crisis has so far failed to produce a much-needed improvement in corporate openness and transparency, and that is a deterrent to commercial lending.

In the post-crisis world a small number of international banks is expected to emerge focusing heavily on upmarket retail business in the region. To HSBC, must be added the name of Citibank in this category, and possibly DBS of Singapore, which has already bought into Thai Danu bank in Thailand. These banks will face competition from the leading local retail operators in individual countries.

For investment banks, the crisis has created a number of opportunities, not least in mergers and acquisitions. According to a study by Robert Fleming, cross-border merger business in the emerging markets of Asia fell back to $6bn in the second half of last year from $11bn in the first half. Still, some bankers argue that more may be in the offing as a new wave of corporate restructuring begins, especially in Japan, where the link between motor groups Renault and Nissan may be the way of the future.

The sharp rise in equity markets also holds out the hope of more stock market-related business, with a possible revival of new issues and privatisation, but bankers caution that Asia is now relatively small in world context and started this year from a very depressed level. Fees on equity-related investment business were down 60 to 70 per cent last year, while those on debt issuance were down 50 per cent, says one US investment banker.

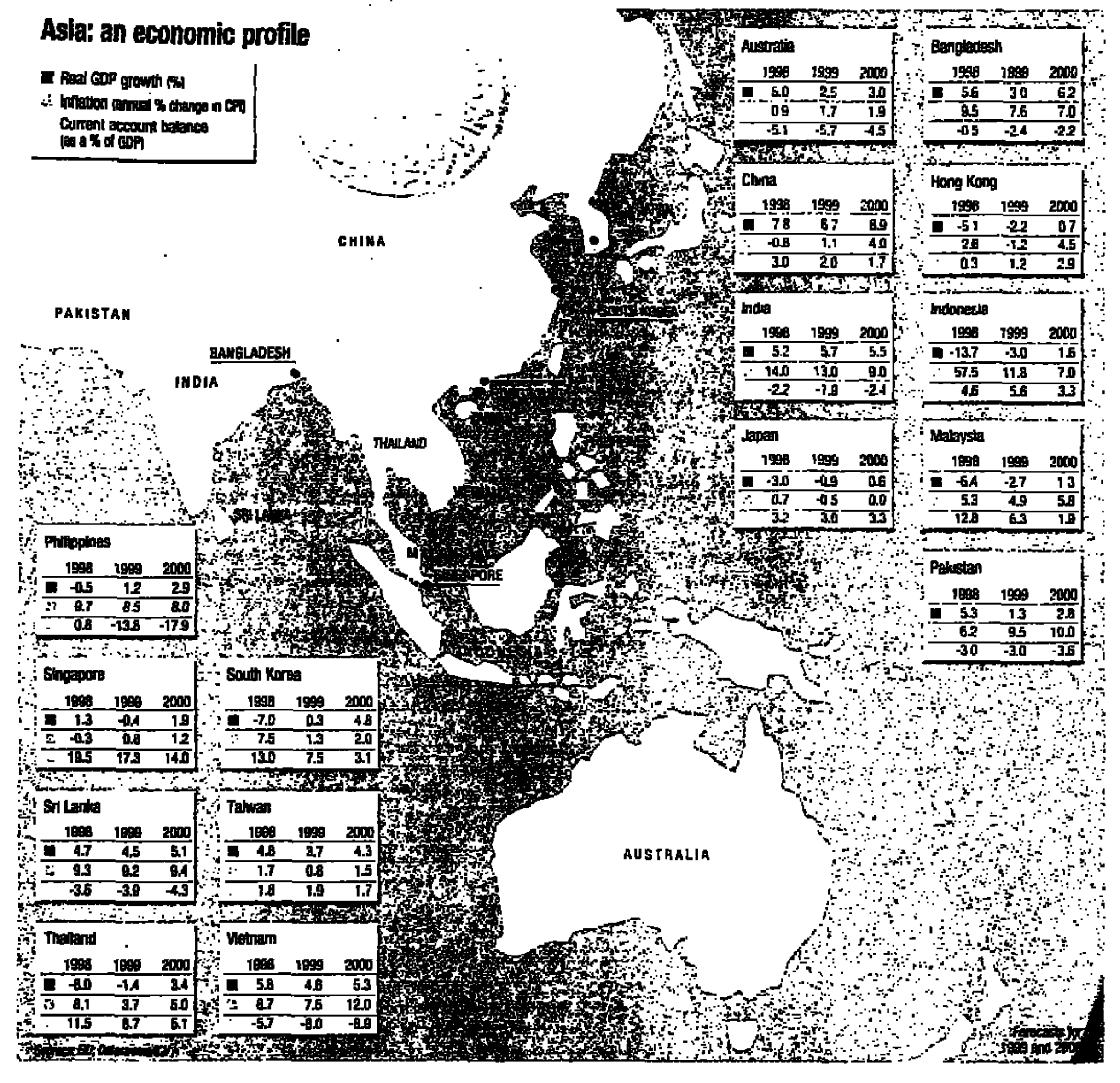
The capitalisation of Asean stock markets, however, is barely half that of Microsoft's $450bn. Even Hong Kong, the largest non-Japanese market, comes nowhere close to Microsoft in terms of capitalisation. By comparison with the largest individual merger deals, such as Mobil-Exxon's $77bn tie-up, Asian mergers' business is small beer.

Only a few new issue deals, such as last October's $18.4bn privatisation of NTT Docomo in Japan, offer a really lucrative fee structure. But investment banks say they have been making good money in South Korea over the past year "There are rich pickings if you can get to the deals, but even the brokerage business has been very good," says Richard Samuelson, of Warburg Dillon read in Seoul. "Korea must recapitalise as the capital structure of the entire country, which has been skewed towards debt, is going to shift."

Many international investment banks also say they are now making good money in Japan. Revenues in Tokyo are "an extraordinary story for us", says Jack Wadsworth, regional head of Morgan Stanley. New opportunities are opening up in trading equities, derivatives and government bonds which were previously dominated by the large securities houses.

But, he adds, a broader-based recovery in capital market activity has yet to emerge. More patience is required, it seems, before Asia gets its real courage back.

Asia: an economic profile



■ Real GDP growth (%) / Inflation annual % change in CPI / Current account balance (as a % of GDP)

Country		1998	1999	2000
Australia	Real GDP growth	5.0	2.5	3.0
	Inflation	0.9	1.7	1.9
	Current account	-5.1	-5.7	-4.5
Bangladesh	Real GDP growth	5.6	3.0	6.2
	Inflation	8.5	7.6	7.0
	Current account	-0.5	-2.4	-2.2
China	Real GDP growth	7.8	6.7	6.9
	Inflation	-0.8	1.1	4.0
	Current account	3.0	2.6	1.7
Hong Kong	Real GDP growth	-5.1	-2.2	0.7
	Inflation	2.8	-1.2	4.5
	Current account	0.3	1.2	2.9
India	Real GDP growth	5.2	5.7	5.5
	Inflation	14.0	13.0	9.0
	Current account	-2.2	-1.8	-2.4
Indonesia	Real GDP growth	-13.7	-3.0	1.5
	Inflation	57.5	11.8	7.8
	Current account	4.0	5.8	3.3
Japan	Real GDP growth	-3.0	-0.9	0.6
	Inflation	0.7	-0.5	0.0
	Current account	3.2	3.0	3.3
Malaysia	Real GDP growth	-6.4	-2.7	1.3
	Inflation	5.3	4.9	5.8
	Current account	12.8	6.3	1.8
Pakistan	Real GDP growth	5.3	1.3	2.8
	Inflation	6.2	9.5	10.0
	Current account	-3.0	-3.0	-3.6
Philippines	Real GDP growth	-0.5	1.2	2.5
	Inflation	9.7	8.5	8.0
	Current account	0.8	-13.8	-17.9
Singapore	Real GDP growth	1.3	-0.4	1.5
	Inflation	-0.3	0.8	1.2
	Current account	18.5	17.3	14.0
South Korea	Real GDP growth	-7.0	0.3	4.8
	Inflation	7.5	1.3	2.0
	Current account	13.0	7.5	3.1
Sri Lanka	Real GDP growth	4.7	4.5	5.1
	Inflation	9.3	8.2	9.4
	Current account	-3.6	-3.9	-4.3
Taiwan	Real GDP growth	4.8	3.7	4.3
	Inflation	1.7	0.8	1.5
	Current account	1.8	1.9	1.7
Thailand	Real GDP growth	-8.0	-1.4	3.4
	Inflation	8.1	3.7	5.0
	Current account	11.5	8.7	5.1
Vietnam	Real GDP growth	5.8	4.8	5.3
	Inflation	8.7	7.6	12.0
	Current account	-5.7	-8.0	-8.9

Source: EIU; Datastream/ICV

Forecasts for 1999 and 2000

BOND MARKETS by Edward Luce

Optimism over improved conditions is premature

Asian governments acknowledge there has been a genuine rally in their international bond prices over the past few months, but this could so easily be reversed

Given the extent of mispricing in the bond markets before the Asian financial crisis, it would be foolish to read too much into the recent improvement in market conditions.

Countries such as South Korea and China were able to come to the markets at spreads of less than 100 basis points (a basis point is a hundredth of a percentage point) over US Treasury bonds before the crisis in 1997. Yet, within weeks, spread levels had ballooned – in some cases, such as Korea and Thailand, to as much as 700 or 800 basis points over US Treasuries.

So it is with a wry smile that Asian governments acknowledge there has been a genuine rally in their international bond prices over the past few months. It could so easily be reversed.

Ironically – having re-acquired access to the dollar and euro-denominated bond markets – very few Asian governments actually need to raise capital at the moment. And those which need the capital, such as Indonesia, are still in effect debarred from the markets.

"The countries best equipped to finance their deficits have least need to visit the markets and in many cases are actually in surplus," said Carlos Cordeiro, at Goldman Sachs in Hong Kong.

Nevertheless, a number of Asian sovereigns have this year taken advantage of the improvement in international sentiment towards Asia if only, as in the case of China, to demonstrate that they can do so.

The Philippines, which is the only Brady country in the region and has traditionally had a higher sovereign debt exposure than its neighbours, has led the way with both dollar and euro-denominated offerings. The country, which has no plans to revisit the markets in the near future, was able to sell its bonds at spreads around 400 basis points over the respective benchmarks.

This is approaching the spread levels it was able to command before the Asian crisis. Its success – and the fact that its spreads have since tightened – encouraged the Philippines Long Distance Telephone Company to issue its first overseas offering since the crisis earlier this month. It was also one of the first Asian corporates to do so.

Very few Asian governments actually need to raise capital at the moment

Others, such as the Korea Development Bank, which acts as a proxy borrower for the sovereign, and possibly Malaysia, which has steep financing requirements for its bank recapitalisation plan, might visit the markets in the next few months. None, however, has any urgent need for dollar or euro funding and few, given recent history, would wish to encourage their domestic corporates to tap the international markets either.

Both Thailand and Malaysia have achieved current account surpluses and are benefiting from the disbursement of soft loans under Japan's so-called "Miyazawa" $30bn regional lending programme.

More importantly, both governments have been taking advantage of the reduction in domestic interest rates to tap liquidity in their own currencies. This makes sense because it avoids foreign currency risk but also because governments want to encourage the development of domestic bond markets.

"Domestic bond markets are developing quickly in Asia and everyone recognises the need for this to happen," said Steve Roberts, at Salomon Smith Barney in Hong Kong.

Thailand, in particular, has taken strong measures to facilitate the creation of a domestic bond market including the extension of its domestic yield curve and the establishment of a more transparent treasury auction process. Thailand and South Korea have significantly stepped up the volume of bonds issued in their domestic currencies. This, they hope, will encourage domestic companies to issue more domestic paper to take advantage of the improved pricing tools available to investors.

In addition, by issuing more bonds, governments enable their struggling domestic banking sectors to improve their risk profiles by purchasing triple A-rated paper and thus reducing their capital adequacy provisions. This is considered an essential part of the effort to restore liquidity to domestic financial markets and thus provide a much-needed alternative source of capital for domestic corporates in the absence of adequate loan capacity in the banking sector.

Few, however, believe the process will occur quickly. "It takes a long time to build the capacity to create a thriving domestic secondary market," said Mark Jones, at J P Morgan. "But governments are making a start."

Over the longer term, bankers say there will be a need for Asian countries to use more sophisticated instruments including asset-backed paper and convertible bonds. Eventually, Korean and Thai banks are expected to follow their Japanese counterparts in collateralising some of their loan obligations and packaging them off to international investors. This will enable the stronger banks to liberate regulatory capital for new lending and also enable non-bank financial institutions to step up mortgage and other consumer-related lending volumes. However, this is still some way off.

"For the time being Asian governments and companies should stick to plain vanilla bonds whether on the international markets or domestically," said Mr Cordeiro. "Conditions have improved significantly in the past few months but the markets are not yet ready for sophisticated instruments."

One other possible avenue is the development of a bond market in Singapore, which officials hope will eventually become an outlet for regional borrowers. So far the market has been confined to mostly domestic borrowers and a number of global names all issuing in Singapore dollars.

Eventually, though, Singapore hopes to become the Asian leg of the global bond market. If this encourages more Asian investors to hold Asian paper, it might go some way towards stabilising what has been an extremely volatile market.

MERGERS AND ACQUISITIONS by Rahul Jacob in Hong Kong

'Year of the Deal' proves disappointing

Many observers are writing 1998 off to experience although plenty of deals were completed, especially in Korea and Thailand

After the financial earthquake in Asia in 1997, 1998 was touted as the Year of the Deal. Multinationals were expected to grab the bargains amid the rubble, struggling local companies were supposed to seize the lifelines on offer and everyone, including the investment bankers, would live happily ever after.

It did not turn out that way. Plenty of deals were done, especially from the third quarter of 1998, but multinationals' uncertainty over Asia's long-term recovery prospects and the inflated price expectations of local companies stymied the process.

Many observers are writing last year off to experience. "The year 1998 turned out to be a steep learning curve for vendors and foreign investors alike in Asia," observes Manning Doherty, the author of a Credit Lyonnais Securities report on mergers and acquisition activity in Asia in the past year.

Another difficult lesson learned is that completing such deals simply takes longer in Asia. Many local companies have had little or no experience with large cross-border deals.

In Asia's go-go years, most of its large companies did much more buying than selling: they were not accustomed to negotiations concerning giving up control of their companies. "In Asia, this is new territory for the sellers. They often don't think about control issues till they are in the middle of the transaction," says Harry Van Dyke, head of Asian mergers and acquisitions for Morgan Stanley Dean Witter.

Owners of many Asian companies also had more breathing space than everyone assumed early last year. Payments on their foreign debt shot up as currencies devalued and interest rates sky-rocketed at home, but creditors were kept at bay because of cumbersome bankruptcy procedures. Bankruptcy laws that can be speedily enforced are still the exception rather than the rule in Asia despite new legislation in countries such as Thailand.

Despite the spectacular corporate denouement of the financial crisis, life goes on much as before for many industrialists in the region. "A lot of the heads of family-owned companies are independently wealthy. Their business may be in the toilet, but their lifestyles haven't changed," says Rajiv Lall, a managing director in Hong Kong with the private equity firm Warburg Pincus.

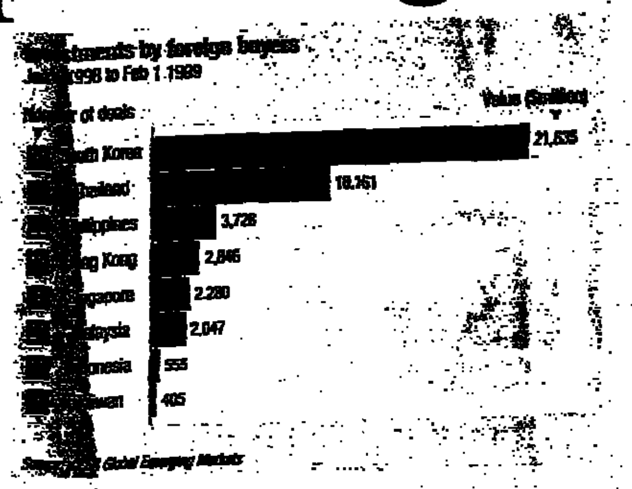
The complicated financial structures at many deeply indebted Asian companies also slowed the pace of deals. Creditors' approvals often required another round of negotiation when they demanded a quicker payback or higher rates of interest on outstanding loans before agreeing to sign on the dotted line. Managers for multinationals in the region, in turn, were sometimes hindered by unrealistic targets set by executives of their parent companies in the US or Europe. Some multinational investors surveyed by Credit Lyonnais reported that firms were looking for internal rates of return of 30 per cent.

Still, plenty of deals were completed, especially in Korea and Thailand. The pace picked up towards the end of the year. Credit Lyonnais estimates that the value of investments by foreign buyers totalled US$42bn in Asia (excluding Japan and the Indian subcontinent). Early buyers included international cement companies such as Cemex, Lafarge and Holderbank which moved in quickly in south-east Asia. Another sector that saw many transactions was telecommunications where British Telecom and Singapore Telecommunications led the way.

Relatively few of the buyers were bargain-hunters come lately to Asia. British Telecom, for instance, had been looking at opportunities in Korea for a few years before it concluded a deal to buy 23.5 per cent of LG Telecom from the large Korean chaebol LG for £238m. "We had committed to Korea in 1994-1995 so we had already been there more than three years by 1997. In Korea, we bought into a company with 2.3m customers for £238m. When you compare that with recent bids in the US, it is a very good deal," says Mark Smith, BT's managing director in north-east Asia. In April, BT bought 20 per cent of Smartone, a cellular service provider in Hong Kong.

Signs that the crisis was bottoming out late last year helped strengthen the resolve of many multinationals and the deal flow picked up, a trend that has continued into 1999. In February this year, HSBC Holdings signed a memorandum of understanding with the Korean government to buy an initial 70 per cent of Seoul Bank for US$700m. HSBC is expected to eventually acquire 100 per cent of the bank. "If I am going to take 100 per cent of the risk, I would rather take 100 per cent of the equity," says David Eldon, chief executive of Hongkong Bank, the Asian arm of HSBC. HSBC also has the right to transfer non-performing assets to a separate company for a year after the deal's closing.

The spectacular rebound of Asian markets this year may mean that many local companies will walk away from the table just as the deal flow is picking up. "One of the reasons there have been disappointing levels of closure is the perception that the worst has passed. 1999 could reinforce that," says Jack Wadsworth, who heads Morgan Stanley Dean Witter in Asia. The year 1999 could still be the Year of the Deal, but do not bet the bank on it.



PRIVATISATION by Louise Lucas

Cautious go-ahead for programmes

Asian governments and their advisers will have to tread carefully as they unroll their privatisation plans

Asian citizens may not always like it but their governments are pressing ahead with privatisation programmes, despite protesters from Korea to the Philippines taking to the streets to decry foreign ownership of state assets.

However, while truculent citizens are unlikely to stall the ambitious plans, there are more powerful antagonists in the wings. These include wary and demanding investors, volatile markets and potential external shocks.

The tally so far suggests governments and their advisers will have to tread carefully as they unroll their plans. Getting it right can mean raising substantial sums of money (often needed to repay IMF loans or rebuild crisis-torn economies). Getting it wrong can spoil investors' appetites.

In the former category, Korea last month raked in US$750m by selling a further 5 per cent stake in Kepco, the electric utility. The Kepco deal, say joint global co-ordinators Salomon Smith Barney and ING Barings, was the biggest Korean equity offering, and the book was more than twice over-subscribed.

The aftermarket performance was also strong, despite pricing at a 2.4 per cent premium to the domestic close and 2.5 per cent discount to the previous day's ADR close in New York.

Building on its success, bankers expect it to unroll more privatisations. A 13 per cent stake in Korea Telecom, which could be for as much as US$1.5bn, is expected to go on offer next month. However, there is a danger of satiation, warns John Simpson, managing director equity capital markets at HSBC Investment Bank Asia. "Korea in the past 10 years has put issues out one after the other. It's fine if you are first out, but if you are number five you will find it a lot tougher."

In the latter category is China, whose privatisation programme coincided with monetary tightening and deceleration in economic growth. Early issues in 1993 were enthusiastically received, but with virtually all privatisations now trading below their issues prices, enthusiasm has waned.

Last year, with just one initial public offering of H shares, or former state-owned enterprises listed on the Hong Kong stock exchange, appeared to be the trough, until this year when two issues pushed out in January and February were both pulled.

Heliongjiang Agriculture, which was seeking HK$1.7bn, was largely a victim of poor timing. Sponsor ING Baring says that pre-marketing conducted in December suggested healthy interest, but by January that evaporated on the back of renminbi devaluation worries and the fallout from Guangdong International Trust & Investment Corp, the investment agency that collapsed in October with debts worth US$4.37bn.

Despite the flop of Heliongjiang, Goldman Sachs determined to push out Shandong International Power Development (SIPD) just two weeks later. The sponsors derived comfort from Southern Co, the US utility, which pledged to take a 40 per cent strategic stake.

Other investors were less willing. Pricing came down, but ultimately the deal had to be withdrawn at the last minute – which frightened investors and, say bankers, lessened its chances of coming to market again. SIPD had already made three attempts in the past five years and has now been roundly written off as "soiled goods".

The China Securities Regulatory Commission, the financial watchdog, is seeking ways to enhance its privatisations' standing in the international capital markets.

Changes to the batch system, whereby clutches of enterprises are approved for listing overseas, may be on the cards, but ultimately China needs to offer interesting, attractive stocks if it is to woo back investors.

"The CSRC is focusing on how it can best restart that (privatisation process) with a company that will genuinely do well, something like a China Telecom (Hong Kong)," says Mr Simpson.

CTHK's US$4bn offering is one of the very few mainland issues to trade above its issue price. The stock offers foreign investors the only means of tapping the operational business of telecoms networks in China.

'Getting it right can mean raising substantial sums of money'

Investors across Asia are also looking for government commitment as well as good sectors. Kirsty MacTaggart, vice-president, syndicate manager at Salomon Smith Barney says that at privatisation roadshows the majority of questions are directed at government representatives rather than at company executives.

There is strict competition, with even the least well-regarded countries likely to tap the markets. Indonesia, the worst hit economy and seen as the region's laggard in the recovery process, is expected to issue a further tranche of PT Indosat, whose telecoms interests may be sufficient to entice investors.

Issues are also expected from the Philippines, India and China. Even Hong Kong is set to make a rare foray on the markets next year when it sells off a stake in the Mass Transit Railway Corporation, the underground train system. A familiar and reputable name on the international capital markets, MTRC is expected to raise some HK$30bn.

PROFILE
TADAO CHINO

New 'home doctor' for Asia's woes


Tadao Chino, the new Asian Development Bank president, meets Indonesia's President B.J. Habibie in Jakarta earlier this year AP

Tadao Chino was in at the birth of the Asian Development Bank. As a still relatively junior official at the UN Economic Commission for Asia he wrote a paper in 1964 that described the creation of a regional bank for Asia as "necessary and feasible".

Now, more than a generation later he finds himself in charge of a mature institution. In the meantime, the ADB's new president spent a long career with the Japanese finance ministry, where he rose to be vice-minister of finance for international affairs, before retiring in 1993 to become, among other things, chairman of the board of advisers at Nomura Research Institute.

For its part, the bank has grown to be a large institution with authorised capital of $47bn and total cumulative lending of $77bn. The Asian Development Bank no longer just finances large projects. It is concerned with sectoral development policies, with social safety nets and with helping mobilise private sector finance to build the region's infrastructure.

But in the wake of the Asian economic crisis, it also needs to rethink its role. The bank has been criticised for not foreseeing the crisis as it unfolded and for failing to seize the initiative in responding.

Yet, in backing up the international rescue packages for countries in trouble, the bank lent large sums of money – $4bn to Indonesia, $1.8bn to South Korea and $1.2bn to Thailand – that stretched its balance sheet, raising questions about how long it could manage without a further infusion of capital. It has also sought to become more directly involved in the process of surveillance, so as to ensure better early warning when crisis looms in future.

Mitsuo Sato, the outgoing president, used to argue that the role of the ADB was like that of the "home doctor". It was not equipped to deal with systemic crisis but, because of its special regional knowledge, it could deal sympathetically and effectively with specific problems and issues affecting the development of its member countries.

First impressions of Mr Chino are that he will build on this approach without imposing any radical shift in direction. This would befit the tradition of consensus learned through many years in Japanese government service, but Mr Chino – a short, smiling man whose limited command of English cannot mask his enthusiasm for his job – also says the bank has been too modest about its achievements in the past.

"We should sharpen our profile and take up a more definite and recognisable posture," he says. The ADB is a publicly-owned institution which must be committed to transparency, especially when it needs resources for replenishment of its capital.

Mr Chino says he has three priorities at the outset. The first is to help Asian countries overcome the financial crisis and get them back on the path of economic growth.

The second, is to promote the evolution of the bank into a "broad-based development institution", encompassing social as well as economic development. This requires efforts to develop capacity-building, policy reform, regional and sub-regional co-operation, striking the right balance between lending and non-lending operations of the bank like policy advice.

"I place very much emphasis on the analytical capability of our bank, " he says. "We should give policy advice as well as support to good governance and capacity-building. Also it must be a catalyst for private capital resources."

The third priority is to develop short, medium and long-term strategies for combating poverty. One third of Asia's 3bn people still live in poverty, he notes. The bank is preparing a poverty reduction strategy that will be completed later this year.

In the short run, however, the focus is likely to be on negotiations to replenish the Asian Development Fund, the bank's soft loan window that makes concessionary lending available to the poorest countries. Mr Chino says replenishment of this fund is more urgent than a general capital increase and formal discussions will have to start later in the year.

Deliberation on the need for a general capital increase has started, and the outcome should give some indication on timing. But first the bank has to maximise its financial efficiency to make the best use of the capital of which it already disposes.

Only when these options are exhausted would it be appropriate to seek shareholder support for more capital. By then, presumably, Mr Chino will also have started to put his own stamp on the organisation.

Peter Montagnon

EQUITY MARKETS by Louise Lucas

Investors starting to sense a recovery

Stock markets are rising, foreigners are taking over banks and governments are confirming their commitment to reforms

Asia's equity capital markets have burst back into life as the region's restructuring takes off. From privatisations in Korea to acquisitions in Thailand, the equity capital markets have been revitalised.

The latest deal to bolster confidence came from South Korea. Shinhan Bank last month raised US$400m through an issue of global depositary shares. Funds raised covered bad debts, enabling the bank to recapitalise in one go.

Investors bought the paper, which traded up in the after market. The GDSs were priced at US$19.786, a 2.2 per cent premium to the five-day average and a 5.8 per cent discount to the last trade on April 9.

Demand suggests that investors are starting to sense recovery in the countries that fell so sharply from grace in 1997. Stock markets are rising, foreigners are taking over banks and governments are giving credibility to their commitment to reform – not least by travelling on roadshows and listening to investors' concerns.

Bankers are hoping the success of Shinhan will bode well for the US$1.75bn recapitalisation of Thailand's Siam Commercial Bank. "If SCB is successful, that will open the market for a broad range of issues, including more bank recapitalisations, but if not it will be difficult," says Scott Ferguson, managing director, head of equity capital markets, at Salomon Smith Barney, which is leading the SCB deal.

Keeping the market open is important. The pipeline of recapitalisations, privatisations and other cash-raising deals is a hefty one as the crisis-torn region endeavours to pay back debts and return to growth. However, and successful deals notwithstanding, confidence is fragile. Investors were badly burned barely two years ago, and they have grown more demanding in the interim.

And it is not a resounding success story. The way is littered with aborted or scaled down deals that were mispriced, mistimed, or simply too big for a still wary investor base to swallow.

In the latter category was the Development Bank of Singapore's exchangeable bond issue. Plans to raise an ambitious US$1.3bn were scuppered by slim demand. Ultimately, the deal size was almost halved to US$765m and the Singapore dollar tranche cut back to just S$30m from a proposed S$100m to S$200m.


Negotiations over the sale of a majority stake in Korea First Bank to a US consortium led by Newbridge Capital, a US investment firm, have yet to be completed AP

Demand was even weaker when Goldman Sachs attempted to push out a US$250m offering for Shandong International Power Development (SIPD), a mainland enterprise which has made several efforts to list in the past five years.

In each case, timing was against the issuers. With the DBS exchangeable issue, the sponsors endeavoured to take advantage of a window of bullish sentiment and rush out an ambitiously large issue, bankers say. By contrast, SIPD's latest bid to come to market coincided with sentiment on China reaching a new ebb.

Placements launched on the Hong Kong stock market have mostly told a similar story. New World Development, a bluechip property developer, sought to raise an ambitious US$300m at the end of last year.

Bankers say only a fraction of that went to committed investors – certainly, there was heavy offloading of the stock, with the share price plunging in the following days. Despite a big rally since then on Hong Kong's benchmark Hang Seng Index, the share price is still below the HK$20.05 issue price.

Other deals have stalled further down the track, highlighting the depth of debt problems still facing many Asian companies and the more stringent demands of investors.

Negotiations over the sale of a majority stake in Korea First Bank to a US consortium have yet to be completed; Nissin Foods and First Pacific's bid to take a 60 per cent stake in Indofood, the world's biggest noodle maker, has been mothballed by the absence of third party approvals (understood to be creditors).

Meanwhile, the heavy privatisation and recapitalisation programmes may help booster the primary market business – but there can be a payback in the secondary markets, says John Simpson, managing director equity capital markets at HSBC Investment Bank Asia.

"There's a problem if investors are increasing their Asia allocations. If you provide them with so many issues that all of their allocation demand is satisfied by new issues, what after demand is there to drive the market up?" he asks.

Other bankers believe Asian governments are wiser this time round, and will seek to stagger their offerings. Besides, says one, the removal of the bulk of foreign ownership restrictions on the Korean market means that investors have been able to increase their allocations sharply – at a time when the hunt is on for value away from the US market.

But Asia cannot count on an easy ride back to investors' wallets.

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FINANCIAL TIMES SURVEY

RUSSIA

FRIDAY APRIL 30 1999

Annual country report

Quest for a way out of the shadows

Mr Yeltsin's greatest gift to his compatriots could be to let them choose their future by themselves, writes John Thornhill

When Yevgeny Primakov turned his aircraft around midway across the Atlantic last month and headed back to Moscow, the Russian prime minister signalled his country's outrage at Nato's imminent assault on Yugoslavia.

Abandoning talks with the US administration and the International Monetary Fund in Washington, Mr Primakov declared Russia would never trade its principles for cash.

Mr Primakov's symbolic action was not only a reminder of Russia's belief in itself as a "great power". It may also be seen as a decisive turning point in his nation's history, the moment when Russia chose to reject the simple remedies offered by the west and turned inwards to seek its own salvation.

The approach of parliamentary elections in December and presidential elections in the summer of 2000 is already forcing the Russian people to ask some painful questions about themselves.

What kind of a society does Russia want to build? What role should it play in the modern world? Where should it head in the next millennium?

The half-formed answers to these questions suggest Russia cannot simply copy other people's models. It must now build one for itself.

There is no disguising the disillusion, anger and despair that millions of Russians feel about the course their country has pursued since the collapse of the Soviet Union in 1991. Many hoped the dissolution of the Communist regime would liberate the Russian people and unleash a more productive economic system.

Precious gains have undoubtedly been made. Freedom of conscience, democratic elections and consumer choice are now such familiar concepts that they are already taken for granted. Yet the recent upsurge of extreme nationalist rhetoric and the murder last November of Galina Starovoitova, one of Russia's most outspoken human rights campaigners, have cast dark shadows over the country's democratic future.

The devastating financial crash in August has also destroyed any lingering illusions that Russia could experience a swift and painless transition to a vibrant market economy, as the west had so eagerly pre-ordained.

Millions of Russians are now struggling to exist on incomes below the official minimum subsistence level of $34 a month. Many more have lost that most precious sustenance of all, hope.

"For decades we paid for the national catastrophe of 1917 and now we are paying again for a way out of it, and it is also catastrophic," wrote Alexander Solzhenitsyn in his latest polemic, *Russia in Collapse*.

"We have not only destroyed the Communist system but we have also eradicated the remains of our human foundations," he said, pointing to the mass impoverishment of the Russian people and the rapacity and moral corruption of the post-Soviet nomenklatura.

Even Russia's elite, which has benefited so conspicuously from the unequal division of spoils, has grown alarmed by the country's economic degradation and political fragmentation. President Boris Yeltsin, the erratic helmsman of post-Soviet Russia, concedes he has helped to create a "freakish" economic model stuck halfway between the plan and the market.

The Council on Foreign and Defence Policy, which includes many of Russia's leading politicians, warns that the federal state is in danger of complete collapse as the "magic glues" holding the country together begin to dissolve. Moscow desperately needs to restore its political legitimacy through elections if it is to avoid a fearsome popular backlash.

"To wait until the elections in 2000 is extremely dangerous," the council concluded in a recent report. "The degradation of the management of the country and the economy could become irreversible or demand still more authoritarian, extreme measures.

"Historical experience shows that a prolonged deterioration in the economic position of the middle class creates fertile soil, not for a liberal restoration but for fascism." For many Russians the most comforting route map out of this terrible confusion is the one that leads back to the past. Russia's Communist Party, which was reviled – and even temporarily banned – following the dismemberment of the Soviet Union in 1991 has rebounded with remarkable vigour to become the country's most popular party.

Under the guidance of Gennady Zyuganov, the Communists have revised their ideology, dropping much of the historical baggage of Marxism-Leninism and acquiring a belief in the semi-mystical virtues of Russian nationalism. Publicly they are in favour of a mixed economy, freedom of speech and international co-operation. But their more reactionary instincts are apparent in their demands to censure the media for anti-Serb propaganda, to reinstate the Soviet national anthem and to elect the president by a parliamentary vote. The anti-Semitic rantings of General Albert Makashov, a Communist MP, have still not been fully disowned by his party.

With 500,000 members, the Communist Party remains Russia's best organised political force and seems set to do well in December's parliamentary elections ensuring it can help to set, or block, the legislative agenda. But the electoral calculus suggests the Communist Party will not win the presidency outright.

Opinion polls consistently show that Mr Zyuganov would make it through to the second round of the presidential elections but would then lose to most other candidates.

Nonetheless, Russia's political centre of gravity is likely to shift leftwards in the forthcoming elections even if it stops well short of a full restoration of Communist power. In this sense the government headed by Yevgeny Primakov, the popular prime minister, may already embody Russia's new political equilibrium.

The former candidate member of the Soviet politburo and hawkish foreign minister has won strong support in the Communist-dominated Duma, the lower house of parliament, But he has also proved to be a cautiously pragmatic prime minister, committed to political compromise, gradualist economic reforms and continuing discourse with the IMF.

Mr Primakov has been steadily accumulating power, making him the most likely successor to Mr Yeltsin if pre-term elections are held. The government's crackdown on corruption, the reassertion of federal authority and the promise of long-term stability hold much popular appeal.

Kakha Bendukidze, one of Russia's leading industrialists, says Russia desperately needs a long period of political stability of between three and 10 years to modernise the economy and slowly reallocate capital.

"I consider that I am a liberal," he says. "But stable, left-of-centre politics is better than instability, inconsistency and lawlessness."

Mr Primakov's critics argue that he offers no more than the temporary illusion of stability, amounting to little more than a consensus to stand still.

Sergei Kovalyev, a liberal

Continued on Page 2

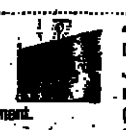
FT file | Constitution

- *Area:* 17,075,400 sq km
- Population: 147.5m (mid-1997 estimate)
- Languages: Russian and local languages
- Currency: Rouble (Rbs)
- Exchange rate: 1998 av $1 = Rbs 10.1277; April 23 1999 $1 = Rbs 24.9300

Main cities and population (Jan 1996)

Moscow (capital)	8,684,000
St Petersburg	4,801,000
Nizhny Novgorod	1,376,000
Novosibirsk	1,368,000
Yekaterinburg	1,278,000

Constitution



- **Official name**
The Russian Federation
- **Legal system**
Federal state with republican form of government.
- **National legislature**
The constitution created a two-chamber legislature: the lower house, the State Duma, with 450 deputies elected on a territorial basis; and the upper house, the Federation Council, with 178 deputies, two from each of Russia's 89 republics and regions
- **Electoral system**
Universal direct suffrage over the age of 18. Half of the State Duma members are elected from party lists, and half in a simple majority contest.
The Federation Council is composed of heads of regional executive and legislative bodies
- **National elections**
December 17 1995 (parliamentary) and June 16 and July 3 1996 (presidential): next elections due in December 1999 (parliamentary) and June 2000 (presidential)
- **Head of state**
The president, elected for a four-year term; currently Boris Yeltsin
- **National government**
The government is appointed by the prime minister, currently Yevgeny Primakov.
- **Main political parties**
The most important parties are: Communist Party of the Russian Federation (CPRF); Our Home is Russia (OHR); Liberal Democratic party (LDP); Yabloko; Agrarian Party of Russia (APR); Russia's Democratic Choice (RDC); Women of Russia; Congress of Russian Communities (CRC)

Source: Economist Intelligence Unit; IMF; EBRD

Economic summary

	1997	1998 (est)	1999 (forecast)
Total GDP ($billion)	446	329	n.a.
(Roubles billion)	2,586	2,740	n.a.
GDP deflator (annual % change)	16.6	11.3	80.0
Industrial production (annual % change)	1.9	-5.2	n.a.
Unemployment rate (% of workforce)	10.8	12.4	14.0
Money supply, M2 (annual % change)	28.4	21.0	32.6
Gross reserves inc. gold ($bn)	17.8	12.2	n.a.
Current account balance ($billion)	-0.8	-1.4	14.9

Main trading partners (share of total trade to world 1997)

	EXPORTS	IMPORTS
EU	32.0%	28.9%
Germany	7.5%	9.8%
Ukraine	8.3%	5.8%
Belarus	5.3%	6.8%
Poland	2.9%	1.6%

Credit rating

Country ceiling	
B3	Foreign currency
CA	Rouble denomination

Source: Moody's

THE ECONOMY by Andrew Balls

Reforms on hold until after the election

New loans promised by the IMF will prevent Russia becoming a complete financial outcast, but little more than that

Russia's economic collapse has not been as bad as most economists expected in the immediate aftermath of the rouble devaluation and the government's default on domestic debt last August.

Despite the subsequent depreciation by 74 per cent, the prospect of a deep recession, and a terrible decline in living standards as wages and pensions continue to go unpaid, Russia has not descended into the hyper-inflationary spiral that many feared.

Although the government's debt burden looks unsustainable (having defaulted on its domestic debt, the finance ministry says it will also default on its Soviet-era foreign debt), new loans promised by the International Monetary Fund will prevent Russia from becoming a complete international financial outcast.

Few economists think that IMF credits will achieve anything more than that.

After a big leap following the devaluation, inflation has stabilised somewhat in the past few months. Consumer prices increased by 2.8 per cent during March, compared to 4.1 per cent in February and 8.5 per cent in January. So far, the government has not run the printing press at full throttle.

The IMF forecasts inflation in 1999 of 100 per cent, combined with a deep recession. Last year the economy contracted by 4.8 per cent. This year the IMF expects it to shrink by 7 per cent.

Although a downturn in investor sentiment following the Asian crisis, and the associated decline in oil prices, contributed to Russia's economic collapse, the root cause was fiscal indiscipline and the lack of structural reform in the economy.

IMF programmes have helped to contain inflation and instead of printing money, the government has made up for its inability to levy taxes through borrowing from abroad. On top of its $100bn of debt from the Soviet era, the government built up $50bn of new debt from the private sector and official creditors, including $19bn to the IMF.

"It was a huge mistake, in retrospect, to hope that lending all this money was a way of making sure that reform was carried forward," says Peter Boone, head of research at Brunswick-Warburg in Moscow.

"What we have done is to leave the country with $150bn of loans which there is no way the federal government can repay."

In 1998, federal revenues amounted to 10 per cent of GDP. The federal government deficit, on the IMF's measure, was 6 per cent of GDP. Following devaluation, Goldman Sachs forecasts that in dollar terms, Russian GDP will be around $152bn this year, one third of its 1997 value.

If the federal government collects 10 per cent of GDP again this year, even the entire budget would not cover its external obligations in 1999 of $17bn. Central bank reserves stood at around $11bn in March.

The IMF's April World Economic Outlook provides a clear analysis of Russia's deep structural problems, including:

- Subsidies, widespread tax exemptions, and the tolerance of non-payment of taxes which allow bankrupt companies to keep going, destroying rather than creating value;
- Federal and local government expenditure arrears, contributing to the spread of non-payment and barter;
- A bankrupt banking sector; and
- Poorly enforced property rights and a weak legal system.

In addition, foreign investors have been alienated by the government's unilateral restructuring of domestic-currency debt, moratorium on private sector foreign obligations, and its announcement that it cannot pay London Club (commercial) and Paris Club (sovereign) debt.

'The IMF forecasts inflation in 1999 of 100 per cent, combined with a deep recession'

The IMF last month agreed, in principle, to resume lending in Russia. The Russian government has long warned that, without new credits, it will default on its IMF repayments of $4.8bn this year. The expectation is that the IMF will lend just enough to prevent a default on IMF debt.

Many observers see this as hard to justify on economic grounds. It would be even harder to justify net new lending.

The priority of the government, headed by prime minister Yevgeny Primakov, which came to power following the collapse last September, appears to be political survival. With parliamentary elections in December, and presidential elections to be held before next summer, few economists expect it to make any hard economic decisions or progress in reform.

Indeed, most economists see the IMF decision to resume lending as a reflection of political considerations – during the Nato war with Serbia and in the run-up to next year's presidential election – rather than economics. The IMF appears to have backed down on its demands that a credible programme for economic reform be in place before it lends more cash.

"If, in the past, we always thought it was the US or the G7 leaning on the IMF to come up with a special deal, this time it has been obviously, and brutally, revealed for all to see," says Vladimir Konovalov, chief strategist at CSFB in Moscow.

Few observers think that such a deal will provide anything beyond the veneer of financial respectability over the next year.

There is little sign that the government will take any great strides to improve the public finance malaise, at the root of the debt problem, or to tackle the failure of institutions to collect taxes from big companies, particularly in the energy sector.

Nor is it likely that capital flight will be addressed. Russia's official reserves have not benefited from its trade surplus because big companies, and powerful individuals, keep their capital abroad. Capital flight amounts to $2bn a month.

There is little chance of a serious attempt to sort out the banking system, impose hard budget constraints on defunct companies, or to tackle the deep-seated problem of non-payment and barter.

According to Boris Fyodorov, former finance minister and a leading reformer, another bail-out will achieve nothing, except "help in allowing incompetent people to buy more time to do nothing".

"Is the IMF – or anyone else – really stupid enough to believe that after five or six years of lies being told, and being accepted, that when the government says it will have a 2 per cent primary surplus in the budget this year, it will really mean anything?" Mr Fyodorov asks. "As far as structural reforms go, there is little evidence of anything, and it is very difficult to believe that something suddenly will appear."

Rather than economic reform, Yuri Maslyukov – the former Soviet head of state planning, now first deputy prime minister for the economy – is concentrating on lobbying for a write-down of Russia's Soviet-era debt.

Following the IMF's decision to resume lending, Mr Maslyukov has set his sights on persuading Russia's Paris Club creditors to forgive 75 per cent of its debt.

Most economists see that as rather hopeful. The German government, the biggest lender, is unlikely to agree to anything more than modest restructuring. Defaulting on sovereign repayments will not win the government any friends in the Paris Club.

According to Vladimir Mau, head of the Government Centre for Economic Reform, a government think-tank, there is unlikely to be much progress in the immediate future on rescheduling Russia's Soviet-era debt. "It is more or less clear that the present government cannot tackle it before the election, and it could take five years, once a new administration is formed," Mr Mau says.

Although the IMF is unlikely to provide very much additional money, on top of that needed to cover Russia's IMF obligations, IMF loans will open the door to credits from the World Bank, and possibly from the Japanese government. But there will be little new finance for Russian companies unable to borrow from the paralysed domestic banking sector.

Russian exporters have not benefited from a great leap in competitiveness following the devaluation. Although domestic production costs have fallen, oil and gas, and the other natural resources which make up the bulk of Russia's exports, are priced in dollars. This means that the external adjustment is taking place through a decline in imports.

However, domestic import-substituting industry has not increased production substantially, mainly because of a lack of finance.

In his state of the federation address in March, President Yeltsin summed up the state of the Russian economy in this way: "We have become stuck half way in our transition from the planned and command economy to a normal market economy."

However, there is unlikely to be any serious economic reform or improvement in the dismal outlook for the economy before next year's presidential election.

Indeed, the effect of the political cycle of parliamentary and presidential elections could cause the government to start printing money to pay wages and bills. The fledgling signs of macroeconomic stabilisation through economic inaction could be threatened by inflationary electioneering.

Even after the election, Russia's transition may proceed very slowly. The events of the past year have given economic reform, and liberal economists in particular, a bad name in many Russian households. According to the World Bank, by early next year, 20 per cent of the population face the prospect of living on less than half the government's official minimum subsistence income, currently Rbs830 ($34) a month.

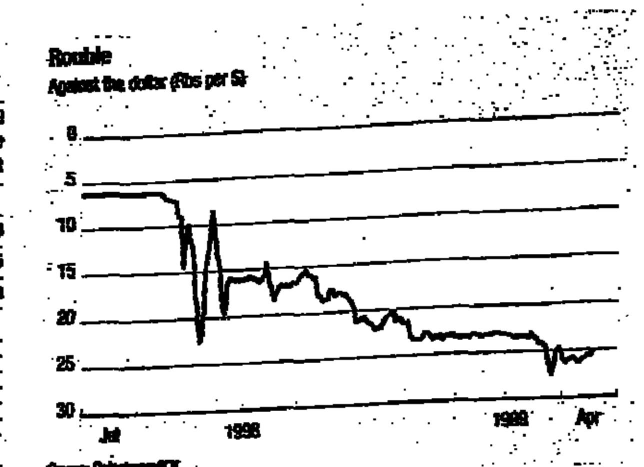
Russia's economic decline has not been as bad as most economists expected following last August's financial collapse. Yet the decline in living standards, measured in falling incomes, is shocking.

Macroeconomic outlook

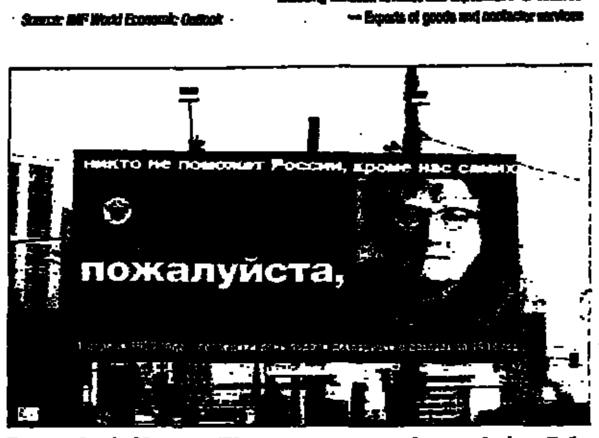
	1997 Actual	1998 Preliminary	1999 Baseline forecast
Production and prices Annual % change			
Real GDP	0.8	-4.8	-7.0
Consumer prices: annual average	14.7	27.8	101.5
12-month, year-end	11.0	84.5	50.0
Public sector, federal government	% of GDP		
Fiscal balance*	-7.0	-6.0	-
Revenue*	12.0	9.9	-
Expenditure*	19.0	15.9	-
External sector: ($USbn)			
Total exports	88.7	73.3	74.0
Total imports	74.8	60.6	47.5
Current account balance	-0.8	-1.4	14.0
Government external debt service	12.9	17.6	-
% of exports**	12.7	20.5	-
Stock of external government debt	123.5	148.9	-
% of GDP	27.7	45.3	-

* Including noncash revenue and expenditure for 1997/98
** Exports of goods and nonfactor services

Source: IMF World Economic Outlook



Source: Datastream/ICV



Poster plea in Moscow: 'Please pay your taxes' Andrew Balls

PROFILE
YURI MASLYUKOV

Politician who is asking the right questions

A stolid, genial man, Mr Maslyukov exudes an air of calm reasonableness and chuckles at the criticisms levelled against him

There were shrieks of alarm among liberal economists in Moscow when Yuri Maslyukov, the former head of Gosplan, the Soviet state planning agency, was appointed first deputy prime minister in charge of the economy in September.

"How can the former head of Gosplan understand – let alone solve – the problems of a modern, complex *market economy?*" asked one.

The International Monetary Fund has found it particularly difficult to deal with Mr Maslyukov and has bristled at his accusations that it has put the government under "indecent" pressure. At key points in their marathon talks, Mr Maslyukov has been replaced by Mikhail Zadornov, the young, liberal finance minister, who is admired in Washington.

Grigory Yavlinsky, leader of the liberal Yabloko party, has also attacked the *government's economic bloc* alleging it was selling ministerial jobs to crony friends. He compared Mr Maslyukov to a second-year economics student who could only regurgitate his notes on macroeconomic policy without comprehending them.

In customary fashion, President Boris Yeltsin then leapt into the fray this month. He criticised the government's economic team for failing to address the country's problems with sufficient vigour and hinted he might sack them all.

With such a billing, it comes as something of a surprise to discover that Mr Maslyukov does not have horns. A stolid, genial man, he exudes an air of calm reasonableness and chuckles at the criticisms levelled against him.

The 61-year-old former Communist MP vigorously defends the government's economic record over the past six months arguing it has been "super-pragmatic" in the circumstances. Contrary to widespread fears, the government has not abandoned tight monetary and fiscal policies. Some money printing was inevitable to pay off wage and pension arrears but it has been kept to a *minimum. The government* now promises to run a *primary budget surplus* (before interest payments) of 2 per cent of gross domestic product this year – its tightest budget since reforms began.

"I want to emphasise that the government of Russia will purposefully and consistently pursue economic reforms," he says. "*Our goal is the creation of* an effective, competitive and socially-oriented market economy."

Mr Maslyukov's supporters argue Russia's "young reformers" may have understood textbook theory but they had no practical experience of how industry works. Besides, it is unfair to portray Mr Maslyukov as a Communist dinosaur. He was first appointed as trade and industry minister last year by *Sergei Kiriyenko*, the impeccably liberal prime minister. In the Gorbachev era, Mr Maslyukov was himself regarded as something of a "young reformer" for his proposals to overhaul the Soviet planning system.

Few doubt that Mr Maslyukov is beginning to ask the right questions. How can the government encourage greater investment? How can the *state become a helping*, rather than a grabbing, hand? How can Russia prevent massive capital flight without reimposing draconian capital controls?

Aided by a team of mainly Soviet-era economists, Mr Maslyukov is still working on the answers but he clearly believes the state must play a greater role in the economy.

Mr Maslyukov argues for a reduction in corporate tax burden to stimulate the economy – although he recognises that strengthening the public finances must take first priority. He is also intent on mobilising the estimated $40bn of private savings held in Russia – although this, too, will depend on the revival of the ravaged banking sector.

He also insists the state must be more vigilant in protecting against the failings of the market. "Now, under the flag of conducting the impeccable market mechanism of bankruptcy, a creeping, and often openly criminal redivision of property is taking place," he says, promising to intervene to halt the process.

As ever, though, the implementation of long-term economic policies in Russia remains hostage to short-term political developments. And, on that front, Russia has just slipped into the realm of the unpredictable.

John Thornhill

Seeking a way out of shadows

Continued from Page 1

MP, says Mr Primakov's artfully crafted coalition will fragment the moment it *takes the tough decisions* needed to drag Russia's economy out of its crisis.

"This cabinet can manoeuvre to preserve the balance at the top of the pyramid of power," he says. "But it has no chance of solving economic or financial or political problems in the country."

A more dynamic, and proven, blend of Communist and capitalist instincts may be offered to the electorate by Yuri Luzhkov, Moscow's pugnacious mayor. His stock slogan is that Russia, like Moscow, should work according to capitalist methods and share the profits according to socialist principles.

Although Mr Luzhkov has not yet declared he will contest the presidency, he has founded a new political movement, Otechestvo (Homeland), to compete in the forthcoming parliamentary elections.

"The basis of the Otechestvo programme is overcoming the impotence of power, restoring all the functions of the state," Mr Luzhkov says. "Only a strong state can establish a democratic order and maintain it. Only a strong state can create conditions for economic *growth, support of domestic* producers and a sound financial and monetary policy."

Such interventionist talk has raised concern that Mr Luzhkov is intent on creating "nomenklatura capitalism". Human rights groups protest about the Moscow government's rough treatment of minority groups.

The US administration, in particular, appears somewhat uneasy at the prospect of Mr Luzhkov becoming president.

But Vyacheslav Nikonov, president of the Politika think tank and an adviser to Mr Luzhkov, argues that Moscow's mayor runs the most democratic and market-minded region in the Russian federation and would hardly resort to authoritarianism if he became president.

"I am sure that any future regime will be tougher than Yeltsin's in so far as his regime is anarchic," he says. "There is lack of power, a lack of enforceable laws, a lack of any considered policies. If the next regime is any softer, then Russia will not exist."

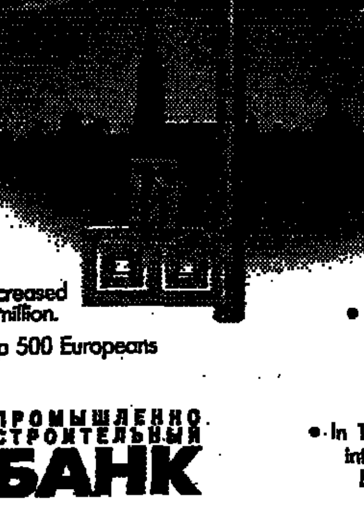
But Mr Yeltsin's – and, implicitly, the west's – clear preference is for Russia to continue to pursue liberal *"reforms", however that* much-mangled term is defined. Mr Yeltsin appears to believe his historic destiny is to hand Russia on to a new generation of younger, post-Communist leaders.

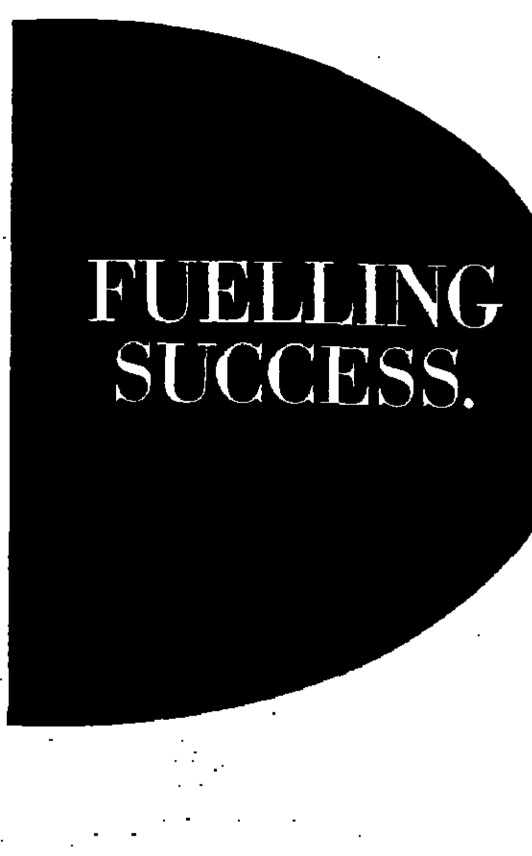
The trouble is he has discredited almost all the forces capable of fulfilling such a role and lacks the political authority to deliver such an outcome.

With the notable exception of Grigory Yavlinsky, the leader of the Yabloko party, the forces of liberalism have been discredited by their association with Mr Yeltsin's regime. In their more sombre moods, Russia's liberals concede they are only pinning their hopes on the presidential elections of 2004.

Mr Yeltsin will bequeath a deeply flawed legacy to his country. But his last, and perhaps greatest, gift to his compatriots could be to let them choose their future by themselves.

For, as the Kommersant newspaper observed, the Russian people have invariably proved much wiser than their leaders.





OIL AND GAS by Anthony Robinson in Moscow

Rouble devaluation boosts exports

There has been a 40 per cent rise in oil company share prices on the battered Moscow stock exchange since the start of the year

Export-orientated Russian oil companies and the monopoly gas giant Gazprom have been the biggest gainers from the nearly 70 per cent devaluation of the rouble since August. The collapse of the currency sharply reduced domestic production costs and further strengthened the attraction of hard currency export markets.

Over the past few months the advantages of this lower cost base have been reinforced by the surge in global oil prices beyond the $15 per barrel mark following Opec production cuts. The most visible consequence has been a 40 per cent rise in oil company share prices on the battered Moscow stock exchange since the start of the year and a new willingness of managements to look beyond the pressures of day-to-day survival and rethink longer-term strategies.

Lukoil, for example, which is Russia's biggest oil company and which drew up a long-term strategic co-operation agreement with Gazprom last year, announced in mid-April the outlines of a 10-year corporate strategic plan. Its main goal is to raise productivity and future profitability by concentrating investment on nine major projects, including the rich Timan Pechora oil fields in the Arctic region.

A few days later Agit Alekhperov, Lukoil's chairman, revealed that Sherbank, the state-owned savings bank which is flush with state-guaranteed savings re-directed from failed banks, had agreed a $150m, three-year loan at rates well below that which even a Russian blue chip company such as Lukoil would have had to pay internationally.

The other important re-organisation project under review is a controversial government-inspired plan to merge its remaining oil interests into a unified National Oil Company (NOC). The plan to merge Slavneft, Onaco and Rosneft, three very different companies with oilfields and refineries located far from each other, would create a combined group producing around 10.6 per cent of national oil ouput. However, the plan has been strongly opposed by the big private companies which lack the cash to buy the additional assets, but argue that they would be better placed to manage them more efficiently than any state-appointed manager.

Lukoil and Yukos declared an interest in absorbing some of the proposed state company's assets while TNK, the Tyumen Oil Company, in which the government has a 46 per cent stake, proposed merging with NOC but essentially taking over managerial control.

> 'The collapse of the rouble sharply reduced domestic production'

Meanwhile, the shock of lower world oil prices last year brutally underlined the inefficient, high-cost nature of Russia's post-privatisation oil industry which suffers as a result of the long distances of the major oil fields from export markets, the legacy of decades of wasteful production-at-any-costs methods and the poor technology employed in Soviet times.

Lower prices forced managers to take a hard look at their production, refining and transport costs and to lobby hard for lower taxes.

The investment picture is a mixed one, however, depending largely on individual companies' access to export revenues. Those dependent on often barter-based domestic sales at well below international prices face the biggest financial and other problems. Yukos Oil, for example, the heavily indebted conglomerate headed by Mikhail Khodorkovsky whose industrial/financial group was among the hardest hit by the August financial crisis, has cut its investment budget to a bare minimum $30m this year. Although Russia's second largest oil company after Lukoil, Yukos exports a relatively low 20 per cent of its output.

At the other end of the spectrum, Lukoil is planning to raise production and investment while Surgutneftegaz, Russia's third largest oil company, has no foreign debt, exports more than 40 per cent of its crude production and intends to raise crude output by 1.4 per cent this year and invest heavily in drilling more than 650 new wells, including 81 high-tech, horizontally-drilled wells.

Although a widening gap is emerging between the more efficient or more export-orientated companies and the more unwieldly and indebted companies, Sergei Generalov, the fuel and energy minister, forecasts that Russia's overall crude oil output this year will fall by 6 per cent, or by around 360,000 barrels/day, largely as a result of closing or mothballing marginal wells and lower investment. Given the expected 5-6 per cent decline in overall GDP this year, lower oil production will be matched by lower domestic consumption rather than any significant decline in exports.

A re-structuring of the industry is under way in which the financially stronger and the more professionally-managed companies are seeking to acquire more rational blocks of territory, modernise and upgrade their refineries and complete the verticalisation process from crude production to downstream marketing. In a belated attempt to stimulate this process and to encourage the kind of foreign investment and technological and managerial skills required, Yevgeny Primakov, the prime minister, personally pressed the duma to pass long-delayed profit-sharing agreement (PSA) legislation which some analysts calculate could open up projects totalling $100bn to foreign participation.

Whether foreign investment on such a scale materialises, depends largely on the overall political and legal climate and the degree of willingness of Russian partners to work openly with their foreign partners.

It is for this reason that the eyes of many foreign oil companies are focused on the development of BP-Amoco's relationship with the Sidanco oil company in which BP bought a minority 10 per cent stake for $571m 18 months ago. Last month BP-Arco wrote off $200m from this investment and has been battling to create a more transparent culture within the company which is controlled by "oligarch" Vladimir Potanin and beset by a series of complex legal disputes affecting major production subsidiaries.

While the oil industry is in the throes of rationalisation, Gazprom is busy consolidating its key European market and pushing ahead with plans to boost gas sales to Turkey and Asia. Blessed and cursed with virtually infinite deposits but tucked away in the Arctic north, Gazprom is pushing ahead with big new pipelines through Belarus and Poland to supply northern Europe, and southward through Ukraine, Romania and Bulgaria to southern Europe and western Turkey.

But Gazprom's controversial "Blue Stream" project with Italy's ENI, which includes a 396km underwater pipeline to a depth of 2,150 metres through the deadly hydrogen sulphide-saturated waters of the Black sea, is facing increasing competition from a US-backed plan to supply Turkey with gas from Turkmenistan. The rival $2.4bn project, involving Bechtel and General Electric Capital, plans to supply up to 30bn cu metres of Turkmen gas annually. It includes a pipeline under the Caspian sea and passage through Azerbaijan. The latter favours the scheme partly because it would facilitate Baku's main ambition – to build a US government-backed Caspian oil main export pipeline through Turkey to Ceyhan on the Mediterranean.

Looking further ahead Gazprom also aims to become a big supplier of natural gas from the Arctic to China and other Asian markets, including South Korea. But BP-Amoco, whose proposed merger with Atlantic Richfield will make the merged group one of the biggest operators in the Caspian region, has similar ambitions. One of the main attractions behind BP's purchase of a 10 per cent stake in Sidanco was the Russian oil company's 60 per cent stake in the Rusia gas consortium which owns the Kovytka deposit west of Irkutsk.

Kovytka is smaller but several thousand kilometres closer to China than Gazprom's Arctic reserves. When Zhu Rongji, the Chinese premier, visited Moscow in March one of the highlights of a visit aimed at quadrupling Sino-Russian trade to $20bn a year by 2003 was an agreement to push ahead with a feasibility study on the Kovytka project. China could well rival or even exceed Europe as Gazprom's biggest customer as the next century advances.

CASE STUDY
NIZHNEVARTOVSK

Cold comfort for one-company town

More than half of the 250,000 residents work for Nizhnevartovskneftegaz

Times are hard in Nizhnevartovsk, a town of 250,000 people on the banks of the river Ob in western Siberia.

Situated on the edge of the Samotlor oil field, where temperatures can fall below minus 50 celsius, Nizhnevartovsk really is a one-company town. More than half of its residents work for Nizhnevartovskneftegaz, part of the Tyumen Oil Company (TNK).

Before Russia's devaluation, average wages for production workers at the company were $520 per month in dollar terms. Now, the sum is less than $200. Although accommodation and utilities are heavily subsidised, most of the food prices people face are linked to the dollar. "Last year I was saving to take my daughter on holiday," said one local resident. "Now I struggle to buy bread and milk."

It is not only living standards in the town that have suffered. Russia's economic collapse threatens to knock TNK's ambitious investment plans off course.

Nizhnevartovskneftegaz was bought by the TNK after its old, corrupt management team drove the company into bankruptcy. Its majority shareholders now are Alfa Bank, a Moscow-based bank, and a consortium of Russian and American private investors. The Russian government still retains a minority stake.

In February 1997, Simon Kukes – a Russian-born, US-trained expert in oil technology – was appointed president of TNK. Mr Kukes has made it his mission to reduce costs, and increase market capitalisation. "We have very different goals from Russia's oil generals and oligarchs," he says.

When he was appointed in February 1998, production costs were $12.5 per barrel. By August 15 last year, on the eve of the devaluation, production costs had been cut to $8.2pb. Following the devaluation, the cost now is $3.7pb.

Cutting costs has meant job losses. TNK has laid off 22 per cent of its workforce, and expects to cut jobs by a further 3 per cent.

Therefore it is not surprising that some Nizhnevartovsk residents are suspicious of Mr Kukes, a former head of technology at Amoco, the US oil company, and his "western-style management team" – which is based in Moscow.

Mr Kukes responds that he has kept job losses to a minimum: "If you lay off skilled workers, it is hard to find them again." Moreover, unlike many Russian companies, TNK has worked hard to eliminate wage backlogs, he says.

The company cannot afford to make up for the effect of the rouble's collapse on living standards, Mr Kukes says. "But we do pay our employees on time. When I took over, the company was five months behind with salaries. Now it is just one month."

Mr Kukes' preoccupation at the moment – along with struggling with the government, a time-consuming matter for all Russian executives – is stabilising production levels in the oil fields that support TNK, and the town of Nizhnevartovsk.

Simon Kukes (front left): committed to reducing costs Andrew Balls

This is no easy task. First, the fields were over-exploited in the past, while their upkeep was neglected. TNK needs external finance to rehabilitate the Samotlor oil field, and update the Ryazan oil refinery. Both projects were due to start in the second half of this year. TNK has lined up foreign technical assistance. But both require long-term finance, which will have to come from abroad.

The slump in world oil prices, Russia's economic collapse, and now Nato's war with the former Yugoslavia, make raising foreign capital a difficult task. Following the Russian devaluation last August, TNK was able to secure a $105m loan from the Westdeutsche Landesbank, the German Bank, the second tranche of a $300m facility.

However, a planned 11-year, $600m loan from the US Ex-Im Bank – due to be completed in April – appears to have been thrown off course.

Mr Kukes says he is not deterred. The company hopes to complete the deal later in the year. Moreover, the recent rise in oil prices provides a chink of light. With revenues now expected to be greater than forecast in this year's business plan, the company can start work on the fields without foreign money.

Last year, Nizhnevartovsk celebrated its 25th anniversary. Renovation of the Samotlor oil field will guarantee production levels at Nizhnevartovskneftegaz for the next 25 years, Mr Kukes says.

Andrew Balls

FOREIGN POLICY by Charles Clover

Old era intrudes on new era thinking

Many in Russia believe that the next century will be more like the 19th than the 21st; that world politics is fast reverting to a system based on 'balance of power'

With the world poised at the threshold of a new millennium, many western statesmen have promised a fundamental shift in international relations, brought about by the end of the Cold War which, they claim, will give way to a new world order of *global harmony*, commerce, and co-operation.

But many in Russia believe just as fervently that the next century will be more like the 19th than the 21st, that world politics is fast reverting to a system based on "balance of power", which typified Europe in the last century.

Ironically, the catalyst for such an "old world order" based on alliances rather than multilateral institutions, may have been supplied by those same western statesmen. Their decision to expand Nato earlier this decade set off geopolitical tremors that became a full-blown earthquake in March after Nato – however pure its motives – attacked Yugoslavia without a United Nations mandate.

Yevgeny Primakov: made "multi-polarity" his slogan AP

Russia counts Orthodox Serbia as one of its longest-standing traditional allies. It was willing to go to war for the Serbs in 1877, and again in 1914. The war-mongering of hard-line deputies in the state Duma, Russia's lower house of parliament, may well ensure that the world has not yet seen the worst of what Russia can do in the Balkans.

But the real crisis may be yet to come. However, the Balkan crisis ends, it is clear to many nations – most of all Russia – that in the post-Kosovo world, the key to security will be alliances based on Bismarckian realpolitik rather than multilateral institutions based on international law.

"The US violation of a decision of the UN security council will have the same effect on world security as the assassination of the Archduke Ferdinand in 1914. In this case, it will disintegrate the system of providing security through the United Nations," said Vladimir Avirchev, a leading member of the state Duma's committee on international affairs, who hails from the moderate Yabloko faction.

Russia has actually been preparing for the post-Kosovo world for some time. The concept of a "multi-polar world" has become increasingly popular among Russia's foreign policy elite since the dream of a post cold war partnership with the west faded in the early 1990s. Yevgeny Primakov, Russia's enigmatic new prime minister, has practically made "multi-polarity" his slogan since he was made foreign minister in 1996.

The concept of a "multi-polar world" is based on an obscure theory of international relations, which posits that a world with many diverse power centres will automatically oppose a hegemony, such as the US. In this way, it is similar to the state system in 19th century Europe, which mobilised alliances to contain the strongest element.

A "multi-polar" world, in other words, is a profoundly anti-American one. International reaction to the Yugoslav conflict has seemingly vindicated this theory.

Mr Primakov, for example, has long advocated the concept of a Russia-China-India triangular alliance in Eurasia, an idea that always seemed to be a non-starter as long as economic, rather than military and political might set the world's agenda. But following Nato air strikes on Yugoslavia, both China and India have sided with Russia against Nato, and have expressed interest in deepening security contacts.

Mr Primakov actually encourages the comparison with the 19th century through his choice of role models. In a recent article in the Russian journal International Affairs, he heaped praise on Prince Alexander Gorchakov, foreign minister under Tsar Alexander II from 1856-1882, who returned Russia to greatness following the debacle of the Crimean War, by securing alliances with Germany and Persia.

Mr Primakov did not invent multi-polarity. In fact, he is picking up the loose ends of an old Soviet doctrine laid down under the leadership of Mikhail Gorbachev in the 1980s, which was forgotten in the early 1990s with the end of the cold war.

By the mid-1980s, many in the Kremlin had already come around to the view that the long-standing Soviet doctrine of trying to be militarily as powerful as all possible competing coalitions was not only ruining the Soviet economy, but was self-defeating, because it was driving the world into the arms of the US.

Starting in the Gorbachev years, Soviet planners re-engineered their security doctrine and foreign policy with the aim of taking advantage of multi-polarity, rather than resisting it with a military build-up. It was the diplomatic equivalent of an eastern martial art, designed to use the force of an enemy against the enemy.

For example, Marshal Sergei Akhromeyev, former chief of the general staff, revealed in 1990 his primary reason for supporting the unification of Germany and the withdrawal of Russian troops from eastern Europe. Once these had occurred, he said in a press interview, "Nato has no right to exist".

It is still not clear whether this remains a prophecy, or a bad miscalculation. Nato has not disappeared. Indeed, it expanded last month to include three new members.

But rumblings within Nato for a more European-based defence organisation have grown steadily louder.

It is clear that with the end of the cold war, US commitments to defend Europe and eastern Asia have become aimed more at preventing Germany and Japan from re-arming, than at defending them against an external threat. It is not impossible, Russian theorists say, that both Germany and Japan will tire of alliances aimed primarily at them.

Soviet policy of the Gorbachev years was ultimately aimed at creating a "disengagement zone" along Eurasia's periphery, in which Moscow plays the role of primary strategic balancer. This may be what Mr Primakov is working towards.

Some theorists even dream of a Eurasian "axis" of Moscow-Berlin-Tokyo-Tehran. This was the subject of a recent book by far-right intellectual Alexander Dugin, who had help from Russia's military academy of the general staff.

His focus on geopolitics – *Russia's unique geographical* position in the "heartland" of Eurasia, has been copied by many on the right and left wing fringes of Russian politics.

Gennady Zyuganov, chairman of Russia's Communist party, and author of the 1998 geopolitical manual *Geography of Victory*, theorises a consolidation of the Orthodox Christian world into a single bloc, which forges ties with the Islamic world along with other conservative Eurasian states, such as China, based on common opposition to the US.

"We live in an age where geopolitics is literally knocking at the door", writes Mr Zyuganov. "And ignoring it would be not only a mistake, but a crime."

RUSSIANS ABROAD by Charles Clover in Ashgabat

Memories of expatriates are made of Pushkin

Turkmenistan's Russians are preparing for the 200th anniversary of the birth of the bard

After a hiatus of 35 years, Renat Ismailov, director of the Russian drama theatre in Ashgabat, Turkmenistan, will take to the stage again on June 6 to celebrate the 200th anniversary of the birth of Alexander Pushkin, the legendary Russian poet.

Mr Ismailov will be writing a play in honor of Pushkin, and he has reserved one of the roles for himself. "Pushkin," he says, "is the original voice of Russia. He made Russian a literary language."

But his decision to return to the stage is due as much to expediency as homage to the immortal Russian bard. Mr Ismailov has what he calls an "actor deficit" caused by emigration of most of his troupe since the collapse of the Soviet Union in 1991.

The native Russian speakers who are the backbone of the Russian drama theatre are increasingly dwindling in Turkmenistan, as they are in other non-Russian republics of the former Soviet Union. While there are enough actresses for female parts, Mr Ismailov has only a handful of actors, including the wonderfully talented Yuri Karablin, who can hold down a strong role.

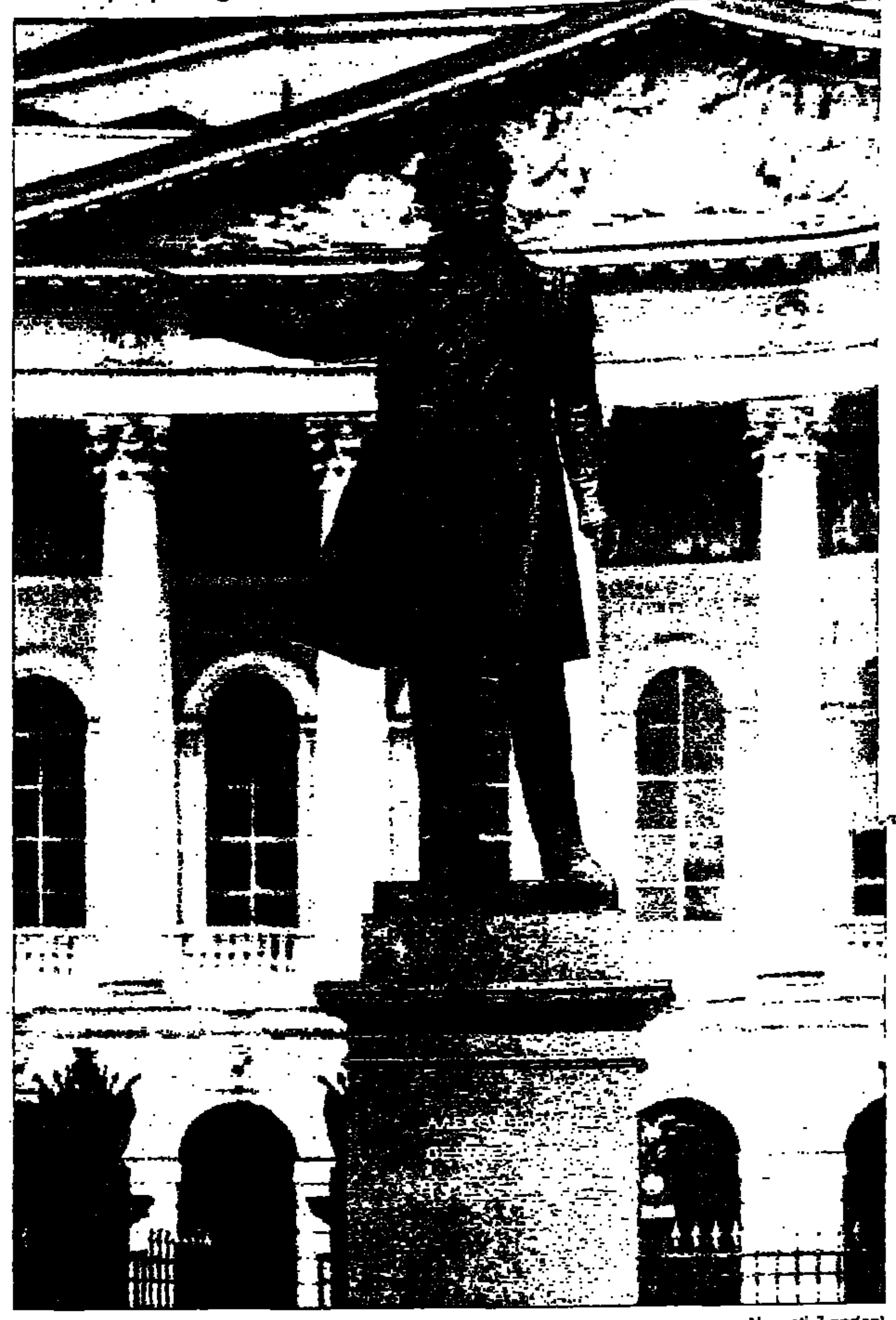
Because of this mismatch, Mr Ismailov has been forced to use scripts with many female roles and only one male lead. The common theme of most of the plays he directs, is – in the grand tradition of Pushkin's *The Fountain of Bakchisaray* – married men who have lots of female lovers.

Mr Ismailov and Mr Karablin both grin mischievously when this is brought up.

"In our heyday, we could put on Shakespeare's *Julius Caesar* or Pushkin's *Boris Gudunov*. Imagine!" Mr Ismailov sweeps his hands, and one can briefly almost see the pageantry unfold beyond the footlights. "Now we do mostly lyrical-satirical irony."

But marital infidelity portrayed in plays such as Mikhail Zadornov's *Last Try*, and Nadezhda Ptushkina's *Come In and Take Away*, is actually a metaphor for the overwhelming feeling of most Russians in Ashgabat for the loss of their community, of being foreigners in what was once their own land.

It is a drama that is only too familiar to communities – regardless of nationality – everywhere in the former Soviet Union.



Alexander Pushkin's statue in St Petersburg Novosti (London)

In Soviet times, school pupils everywhere memorised Pushkin classics such as *The Fountain of Bakchisaray* and *Ruslan and Lyudmila*, and Russian culture and language came to be the force that bound the union together. Indeed, Mr Ismailov, an ethnic Tatar, can say convincingly that Pushkin was like his "mother's milk".

But in the wake of hard-won independence struggles, not all governments of the newly independent states have welcomed Russian culture and language as a force for harmony and reconciliation.

In Ukraine, where roughly *half of the citizens claim* Russian as their first language, the issue of Russian heritage has been increasingly politicised, especially in the run-up to the presidential elections in October. *Many in Ukraine's Russified* east are calling for Russian to be made an official state language, along with Ukrainian.

In 1994, ethnic Russians in Ukraine's Crimean peninsula tried to secede from Ukraine and join Russia.

Meanwhile, the rights of ethnic Russians living in the Baltic states have, since independence, been as much of a headache for those governments as for Moscow.

And in Kazakhstan, more than 1m Russians and Ukrainians have emigrated, and those that remain complain increasingly of ethnic discrimination, which some fear could lead to separatism in the mainly ethnic Russian north in contrast with the ethnic Kazakh south.

Nostalgia for Pushkin runs as deep as nostalgia for an often completely mythical version of the Soviet Union, when life, despite shortages, despite censorship, was more certain. It was a time when even in the most exotic places, such as desert Turkmenistan, everyone had some place where they belonged.

Mr Ismailov pauses ever so slightly and his eyes gleam whenever he says the Russian word *ranshe*, which means "previously", that is, in Soviet days.

Tanya Kostenko, at 24, the youngest member of the theatre, says: "While the Soviet Union held us together in a formal way, Pushkin still holds us together in an informal way."

PROFILE
SERGEI KOVALYEV

The voice of modern liberalism

The MP condemned President Yeltsin's invasion of Chechnya and risked his life by witnessing the tragedy at first hand

Sergei Kovalyev, one of the founding fathers of Russian liberalism, is not afraid to tell the uncomfortable truth no matter what the circumstances or potential consequences.

In Soviet times, the eminent biologist spoke out against the regime's abuses of human rights and thereby earned himself a long spell in the Gulag. In post-Soviet times, the prominent MP condemned President Boris Yeltsin's invasion of the breakaway region of Chechnya and risked his own life by witnessing the unfolding tragedy at first hand.

Today, Mr Kovalyev is again warning of the threat of a "national catastrophe" as the country drifts towards authoritarianism and he is urging his fellow democrats to unite in defence of the rule of law and political pluralism. Given the famously fractious nature of Russia's democratic parties, many politicians may dismiss Mr Kovalyev's views as Utopian. But, as he observes, Russia is a "land of miracles". "I do not dismiss the possibility that this might yet come about," he says.

The historic problem of Russia's liberals has been that they have dissipated their political strength. The last parliamentary elections in December 1995 were contested by 43 parties – even though a party had to win 5 per cent of the vote to gain any parliamentary seats. Psephologists marvelled at the way this suicidal behaviour ensured the highest number of "wasted" votes of any election. It also helped the unified Communist cohorts win a disproportionate share of the seats.

The murder last year of Galina Starovoitova, one of Russia's most courageous human rights campaigners, convinced many democrats of the imminent danger of authoritarianism and the urgency for action. "Democrats only unite when they are under threat," says Mikhail Gorny, a director of Strategiya, a civil society centre in St Petersburg.

As a result, several well-known liberal politicians – including Yegor Gaidar, the leader of Russia's Choice party, Boris Nemtsov, the former governor of Nizhny Novgorod, and Boris Fyodorov, leader of the Forward Russia movement – came together to form the Pravoe Delo (Just Cause) party. It intends to contest December's parliamentary elections on a common platform aiming to win about 10 per cent of the vote.

Sergei Kovalyev: again warning of the threat of a 'national catastrophe' Kommersant

Mr Kovalyev argues that the creation of Pravoe Delo is undoubtedly a step in the right direction. But he suggests the alliance must now make greater efforts to entice other right-of-centre parties, such as the social democratic Yabloko movement, headed by Grigory Yavlinsky, into a broader coalition.

Before this can happen Mr Kovalyev acknowledges there will have to be a fundamental change in the political culture of the country. "So far we have not learned political wisdom from the west but only the technicalities of politicking, of manipulation of opinions," he says.

Mr Kovalyev argues that Russian politicians must bury personal antagonisms and develop a greater sense of collective responsibility. "In the west, the concept of compromise is a necessary and very important element. But in Russia we have traditionally despised compromise," he says.

"From my primitive viewpoint, I have considered and I still consider the chief secret for the broad unification of the democrats is the overcoming of personal ambitions and a feeling of responsibility," Mr Kovalyev says.

The independent-minded Mr Yavlinsky, whose Yabloko movement currently forms the fourth biggest parliamentary faction, has for years resisted the idea of associating himself with the "failed", unpopular, ex-ministers, who now lead Pravoe Delo. Instead, Mr Yavlinsky seems more inclined to ally himself with the Otechestvo movement founded by Yuri Luzhkov, Moscow's pugnacious and interventionist mayor.

But Mr Kovalyev will still strive to persuade the voters of the need for a broad democratic coalition, capable of marshalling the support of the anti-Communist majority in the country. "This process can be more successful if the electors put more pressure on their leaders," he says. "We are capable of such unity."

John Thornhill

THE MEDIA by Andrew Jack

Pressures mount on journalists

As parliamentary and presidential elections loom, there has been a growing climate of hostility to the media

Shooting the messenger has taken an unpleasantly literal form in Russia in recent years. Since the start of 1998 alone, 15 journalists have been killed in suspicious circumstances and many others have been beaten up and threatened in the course of their work.

Violence has been backed up by the pressure of the courts, with a number of writers put on trial for espionage and violation of military secrets. By contrast, the legal system has proved to be less effective in bringing to justice those who have murdered or injured journalists.

Meanwhile, as both parliamentary and presidential elections loom in the coming months, there has been a growing climate of hostility to the media, notably from the Communist party. Legislators even passed a law designed to create a council with the power to censor television programmes judged morally unacceptable, although it was subsequently vetoed by President Yeltsin.

But other, less violent, pressures on Russia's media have proved still more powerful and detrimental over the past few years – forces that undermine its credibility and independence. Watch a news programme on television, listen to a bulletin on a radio station, or read an article in a magazine or newspaper, and two questions always crop up – who owns the publication and why is it providing this information?

While there is a huge quantity of newsprint and air-time available to offer the broadest variety of opinion, few Russians consume it without a strong degree of scepticism. "I only read the sports papers," says Valery, a university teacher. "At least they are accurate."

Powerful political and business interests control most of the principal outlets. That goes for the state-owned television channel RTR, for example, which is seen as closely linked to the administration of President Boris Yeltsin. There is the broadcaster TV Tsentr, which is closely linked to Yuri Luzhkov, the mayor of Moscow. Or their rival ORT, scene of a battle for control between the government of Yevgeny Primakov and the self-styled "oligarch" Boris Berezovsky, a minority shareholder.

Mr Primakov appointed his own trusted confidants to senior positions in Itar-Tass, the state-owned news agency.

Mr Berezovsky, meanwhile, is widely believed to have influence over the newspapers Novye Izvestiya and Nezavisimaya Gazeta, and the magazine Ogonyok. Vladimir Potanin, the power behind the Uneximbank empire, made no secret of his desire for wielding political influence when he acquired Izvestiya. His group also controls Expert magazine. Vladimir Gusinsky of the Most media group controls the newspaper Segodnya, the magazine Itogi and the Ekho Moskvy radio station, for instance, as well as the broadcaster NTV.

Peter Coalson, head of the business development service at the National Press Institute in St Petersburg, says that "very little has been achieved" in the fight for a free press in Russia. He argues that local government across the country directly funds publications, distorting competition and making rivals struggle to survive. "The whole environment is so state-dominated that it is impossible for any independent voice to rise," he says.

The prospects for financial self-sufficiency, which might help provide independence from sponsors and advertisers, suffered a considerable setback with last August's financial crisis. Some publications – such as the Roskii Telegraf – closed, and others that were near to being launched were cancelled, including a Russian-language edition of Paris Match.

But some observers argue that the blame for the current situation lies to a large degree with journalists themselves. Alexi Pankin, the editor of Sreda, a monthly magazine about the media, points to the widespread practice since the mid-1980s of *zakazukha* or articles that have been written to order. Individual journalists or entire editorial teams are paid to write stories with a particular slant. One powerful Moscow-based businessman boasts: "I dictate half of what you read in the press."

Over time, and notably since the build-up to the re-election campaign of President Yeltsin in 1996, companies began openly investing in the media – which, in turn, became largely hostile to the Communists and other rival candidates. "The press decided that it could put aside part of its freedom and get it back with interest," says Alex Simonov, head of the Glasnost Defence Foundation, which monitors media independence. "But freedom never grows in the bank."

His organisation was set up in 1991 to protest about the coverage in the state-controlled media of the uprising in the Baltic republics. But, significantly, he says it was film directors such as himself who created the organisation and withdrew their own films to raise attention. Journalists only joined later. He argues bluntly: "There are two great foes at present – power and the press itself. Our press is violating the laws just as much as their rights are being violated."

Mr Simonov says that "the market is not big enough for the quantity", and that the explosion in publications in has been "not just because of readers' needs but because of deputy editors thinking they could do the job of their editor even better and starting their own titles". While too many publications chase too few readers, the chance for any to be self-sufficient and more independent is jeopardised.

For Mr Pankin, the best period for Russian journalism was in the final days of the Soviet Union, when writers were still paid by the state to be critical of the system. "It was perfect. The Communists were paying to commit suicide," he says.

Mr Simonov adds that "the best Russian journalists always considered themselves writers. They include lots of personal opinions that have nothing to do with information".

TOURISM by Paul Gould

Negative image hinders growth in visitors

The 1998 economic crisis has compounded the tourism problem

Bolshoi performers on Kremlin Cathedral square, Moscow AP

Russia is one of the most fascinating destinations on earth. Rarely absent from the headlines, it inspires curiosity and still looms large in our consciousness as a source of intrigue and cold war paranoia.

More positively, the country that gave the world *War and Peace*, *Swan Lake* and the Bolshoi ballet is recognised as a heavyweight in the world of the arts. The cultural and architectural attractions of Moscow and St Petersburg are arguably a match for Paris or Rome.

Russia has become a more open society, to an extent unimaginable when Mikhail Gorbachev launched *perestroika* in 1985. As part of its muddled rush into free enterprise, Russia has embraced e-mail and satellite TV, and opened scores of bars, restaurants and hotels. The facilities visitors can now enjoy means there is no reason to fear deprivation.

Yet, an unremittingly negative image persists – one of strife, obstructive bureaucracy, harsh winters and a language barrier. Some of these perceptions are unfair. Nevertheless they appear to be holding Russia back from fulfilling the tourism potential suggested by its profile – and more surprisingly by its recent growth figures.

The economic crisis of August 1998 has compounded the image problem. Western airlines flying to Russia reported marked drops in sales in the immediate wake of the crisis. By October 1998, employment in tourism shrunk by 25 per cent, according to the Russian Association of Travel Agents, and about one-third of smaller operators were forced out of business.

But David Hammond, director of London-based ITE, which organised the March 1999 Moscow International Travel and Tourism fair, is not pessimistic. He says the fall in jobs and in the number of Russian travel companies largely reflects "strategic alliances and consolidation" in the sector.

Mr Hammond believes Russia is on course for sustained growth in tourism, an assertion backed by figures from the World Tourism Organisation (WTO).

In 1998, tourism arrivals in Russia reached 15.7m, up 3 per cent from 15.3m in 1997. Tourism revenue also grew by 3 per cent from $6.9bn in 1997 to $7.1bn in 1998. The highest number of arrivals was from Finland, with 1.3m.

But, says Mr Hammond, this growth was less than that hoped for. During 1996, Russia enjoyed something of a surge in tourism – arrivals jumped to 14.6m from 9.2m in 1995, and revenue reached $6.86bn from $4.3bn in 1995 – increases of 57 per cent and 59 per cent respectively. This suggested Russia's tourist market was one of the fastest growing in Europe. Arrivals growth then steadied at 5.2 per cent in 1997 and slipped to 3 per cent in 1998.

In 1998, Russia also moved up to 13th place from 16th in the WTO's league of world destinations, and to 16th place from 23rd in terms of tourism revenue. By comparison, league leader France saw 70m arrivals in 1998 and revenue of about $29bn.

Maria Shankina, editor-in-chief of TTG Russia magazine, says it is too soon to judge if the economic crisis will have a lasting effect on the number of tourists travelling to Russia. The summer season of 1999 will provide a clearer yardstick, she says.

However, tourists can now take advantage of falling prices. Dollars buy even more roubles, and the drop in business travellers means airlines are keen to fill aircraft.

But there are few reasonable places in which to stay. Many of the cheaper hotels were meant only for locals – a vestige of Soviet-era segregation – and do not offer overseas bookings or service in any language other than Russian. With the middle-class entrepreneur hard hit by the economic crisis, investment in middle-ranking hotels is looking to be inadequate.

This leaves Russia's tourism potential underexploited, and crying out for central co-ordination. Until the early 1990s all overseas tourism was handled by Intourist, the then state monopoly that is now a privatised company. It remains the biggest operator.

Sergey Shangin, Intourist's head of marketing, is confident about Russia's attractions – its history, its ballet, its architecture and its great art museums such as the Hermitage and Tretyakov. Intourist therefore aims to target the educated, professional classes, he says.

Even here, Mr Shangin says he is up against Russia's image problem. He would like to see state financing for the promotion of what he views as a vital export. But with the Russian government unable even to pay public sector salaries, the massive cash boost he seeks is unlikely to be forthcoming.

Furthermore a law passed in 1997 mandates that overseas investment in Russian travel companies is limited to 49 per cent, restricting prospects for a much-needed capital injection.

POVERTY by Andrew Jack

Bleak future for the poor

Since the collapse of the Soviet Union, there has been a jump in absolute poverty

In a country with such long traditions of statistical manipulation and hostility to the inquiries of the state, it is not easy to pin down the true extent of poverty in Russia. But there is little doubt that the picture is looking increasingly bleak.

United Nations figures suggest that the purchasing power of average income in the USSR in 1987 was about $6,000 or 32 per cent of the level of the US. By 1996, it was just $4,531 in adjusted terms, or 17 per cent of the US level. Since the collapse of the Soviet Union, there has been both growing inequality and a jump in absolute poverty.

According to a new analysis by the World Bank, the August 1998 financial crisis in Russia will reach its greatest impact by early 2000. By that time up to 20 per cent of the country may be living in conditions of extreme poverty – defined as less than half the minimum subsistence income, currently some Rbs830 a month. That is up from 11 per cent in 1994.

Faced with such bleak figures, some observers argue that the figures are simply false. There is little doubt that data collection is plagued with difficulties, and there are fierce debates about methodology. There are problems which exaggerate, and others which artificially underplay, the true state of Russia's population.

But as Tatiana Khokhlova of the Russian European Centre for Economic Policy in Moscow argues: "It is very difficult to talk about the absolute level of poverty, but you can analyse the trends." And those trends are distinctly pessimistic.

Government figures often show what citizens are entitled to receive rather than what they do receive. In 1997, just 20 per cent of income that Russians were entitled to under federal laws was actually paid. Since then, arrears on the payment of wages and social benefits have increased sharply. *Pensions* are on average paid with a delay of one month at present, and wages are 2.5 months behind.

Equally, there is little doubt that Russians conceal the true extent of their income from official surveys as part of a broader strategy of tax avoidance. A recent World Bank study found that most people admitted to spending twice what they claimed to earn. Other research suggested that undeclared "informal" income had rocketed in the past few years to an average of 42 per cent of total household earnings.

A traditional argument is that Russians have evolved a wide variety of successful "survival strategies" in response to the apparently bleak situation shown in the statistics. Many basic expenditures remain extremely low, with rents, utility bills, health and transport heavily subsidised, for example.

Families spend their savings, borrow from their extended families, and earn cash from informal second jobs. Many also have access to plots of land or *dachas* (country cottages) with gardens, where they can grow some of their own food. It seems clear that – at least in the short term – such forms of support do help to sustain a significant proportion of the population, notably those more vocal groups which might otherwise trigger social and political unrest.

But for the poorest Russians, the prospects are far bleaker. Asked about their survival strategies, Simon Clarke, a sociology professor at Warwick University, puts its bluntly: "Both words are misnomers." His research indicates that the poorest have neither access to land nor many opportunities for second jobs.

That ties in with the World Bank's findings. Michal Rutkowski, sector leader of the social protection department, says that – with the exception of elderly women living alone – pensioners are not one of the most exposed groups. It is families with children, living in small urban settlements with access to neither jobs nor land, who suffer most.

He argues that Russia's social programmes need to be more tightly targeted to help those who are most at risk. At present, some 1,100 categories of Russians are eligible for benefits of one kind or another – covering more than 60 per cent of the total population. With so little money available, the poorest get very little.But there is strong political resistance to change.

The World Bank also argues that any efforts to help the poorest need to begin with a fundamental restructuring of the Russian economy, introducing bankruptcy procedures, fostering private sector initiatives and making the country more competitive.

Sergei Kalashnikov, the minister of labour and social affairs from the ultra-nationalist National Liberal Democratic Party, agrees that better action on bankruptcies is needed. Commenting on the low wages and considerable arrears on public sector salaries, he adds that "the federal government should fulfil its obligations".

But while the promises and policy recommendations continue, there are some Russian statistics that are less open to manipulation, and which carry a very bleak message indeed. Male life expectancy has dropped sharply over the past few years to a little over 58 today. Alcoholism and drug abuse have risen, and there has been a sharp rise in suicides and divorces. For many of those most at risk in the post-Soviet years, it is already too late.

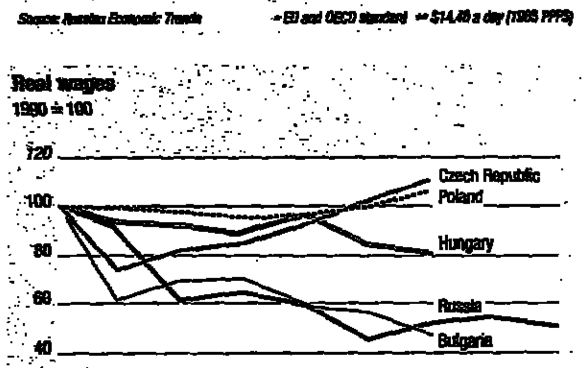
UN human poverty profile

	1980-94	1990	1995	1990	1996
	Population below income poverty line* (%)	Pop below income poverty line** (%)	Not exp. to survive to age 60 (%)	Per 100,000 live births Mortality rate Maternal	Infant
US	19	3	13	12	8
Japan	12	5	8	18	4
Germany	6	12	11	22	5
Finland	6	1	11	11	4
Czech Republic	-	1	14	15	6
Slovakia	-	1	19	-	10
Hungary	10	2	24	30	11
Poland	12	13	20	19	12
Bulgaria	-	33	18	27	16
Russia	22	36	32	75	20
Romania	-	22	21	130	21
Belarus	-	23	24	37	14
Kazakhstan	-	50	26	80	38
Ukraine	-	41	24	50	18
All dev. countries	-	-	27	488	65
Industrial countries	-	-	16	38	13
World	-	-	25	130	60
E. Europe and CIS	-	-	26	62	26

Source: Russian European Centre ... *EU and OECD standard **$14.40 a day (1985 PPP$)

Real wages

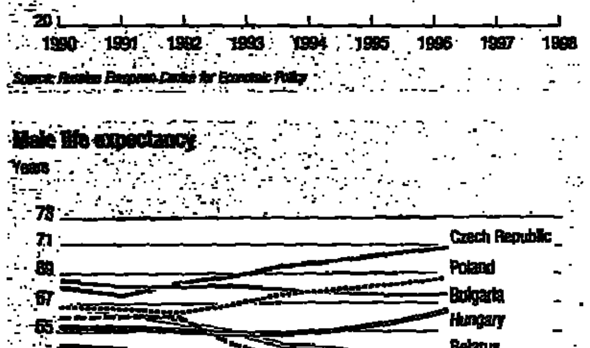
1990 = 100



Source: Russian European Centre for Economic Policy

Male life expectancy

Years



Source: Russian European Centre for Economic Policy

EDUCATION by Andrew Jack

Lessons in how to survive

Although there is greater intellectual freedom, teachers are finding that resources have not kept pace with new-found educational liberty

The pupils form a neat square around Tamara Yurishcheva in the school *gymnasium*, and listen respectfully as she praises the half a dozen who scored *the top mark of five in all* their subjects over the past few weeks.

The prize-winners – all but one a girl – step forward to applause, and she hands each of them a bar of chocolate as a reward. "We used to give out books or good pens," confides Tatiana Vinokurova, an English teacher. "But we can't afford that any more."

At Middle School Number 3 in Tula, a provincial town 200km south of Moscow, the *main question over the past* few years has been one of survival – for teachers and their institution as much as for students and their parents.

At first glance, the school appears to resemble its counterparts in countries around the world. There are long corridors and classrooms, cloakrooms and a canteen. It is perhaps a bit more tatty and the equipment a little less up to date, but class sizes are the same as elsewhere, the 1,000-odd students appear lively, and the teachers motivated.

Yet, the infrastructure is largely a legacy of the Soviet period, propped up by an increasing dose of improvisation and desperation during the 1990s. The Russian government today does little to help. "There's not even money for bleach for the toilets," says Ms Vinokurova.

The school does have a few computers, and even has access to the internet. But its ability to use the network is limited because it has no money for paper to print out information. There are some relatively new desks and chairs in the classrooms. But most have been contributed by the richer parents. "We ask them to pay this or that bill," says Ms Yurishcheva.

The post-Soviet period has provided much greater intellectual freedom. "We are between the old and the new traditions," says Vladimir Fedosov, a history teacher. "In my subject, too much space is still devoted to general secretaries of the Communist party such as Chernenko. But we have books for representing different viewpoints. Before, the work of teachers was much less creative."

'Wages have not increased for five years and wage arrears are currently *running at two months*'

Resources have not kept up with this new-found educational liberty. Students are expected to provide their own text books. Teachers theoretically receive a Rbs83 allowance each month for books, but it has not been paid for more than two years. There are opportunities that never existed in the past. Some schools in Tula offer pupil exchanges to Spain and the US. But only those with rich parents can afford to go.

In some ways, Ms Yurishcheva and her school are not typical. She is not afraid to dabble in politics, initially supporting the maverick Alexander Lebed and now sitting on the city council. She complains about the continued political interference by the Communist-dominated city and region, and fears that if the far left wins in December's general elections, she will lose her job.

"Probably Yeltsin's greatest mistake was not to have passed a law forbidding party leaders to maintain top positions," she says.

She points to a thick file of demands by school inspectors, and complains at their dogmatic approach. She wanted to offer computer skills in place of the traditional wood and metal-working classes offered to boys in their "labour training" classes – not only as something more relevant, but also because they have neither wood nor metal with which to work. But the authorities refused her request. Teachers have also received *subotnik* orders – demands to give up their Saturdays, unpaid, to clean the streets and carry out other tasks for the city.

In 1991, Ms Yurishcheva's school took a pioneering step by introducing payment for additional lessons after the normal school ends in the afternoon. Some 250 students pay Rbs300 a month to have top-up classes. The private classes are a useful way for students to prepare for higher education.

"With the economic situation so bad, there are no jobs and everyone wants to stay on now," says Ms Yurishcheva. That is why the final, tenth, grade – beyond the legal school-leaving age but essential for university entrance – is now so popular. "I don't consider free education to have been the main achievement of socialism, because the quality was not very high," she adds.

But the fee-paying classes today are also an essential means of survival for the teachers.

Junior staff receive as little as Rbs200 a month in salary, and the most senior grade receives just Rbs500. The wages have not increased for five years – and notably not since the financial crisis last August, which cut the rouble to a quarter of its previous value. And wage arrears are currently running at two months.

"There was a moment in the early 1990s when I considered giving up teaching," says Mr Fedosov. "I had no idea what to do any more and how to teach. There were so many contradictions. But it's very difficult to find a good job at 40. And my great love is teaching." He adds that with his salary now so low, his wife has become the principal breadwinner.

"We've had democracy for too short a period to be sure that everything will be OK," says Ms Vinokurova. Ms Yurishcheva adds: "Financially we are far worse off. It all weighs a lot on our health. But we have greater intellectual freedom. I prefer the situation today."

MOSCOW by Andrew Balls and John Thornhill

Curious hybrid of west and east

Mayor Yuri Luzhkov aspires to establish Moscow as a European city, playing up its rich cultural traditions

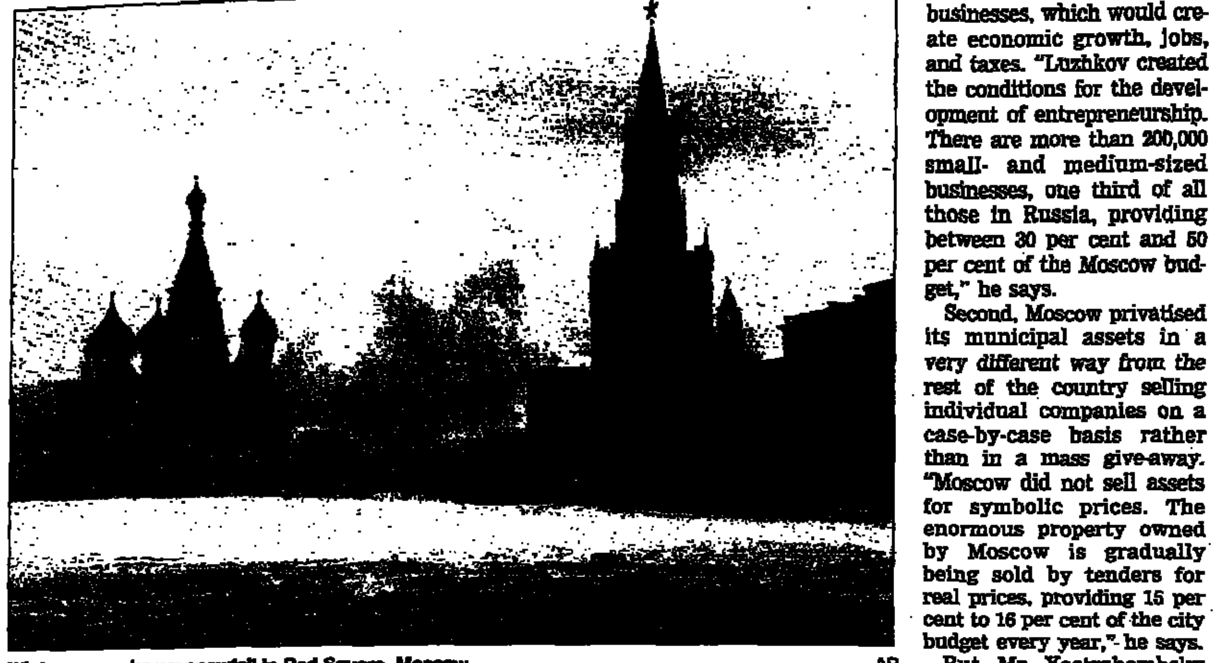
Russian politicians have traditionally been divided between westernisers and Slavophiles, between those who want to integrate their country with the rest of Europe and those who want to pursue a uniquely national path.

But, according to one political observer, Yuri Luzhkov, Moscow's rumbustious mayor, is that most rare phenomenon: a nationalist westerniser. Of Russia's leaders, perhaps only the 18th century tsar, Peter the Great, who aggressively expanded the Imperial empire while founding St Petersburg as Russia's "window on the west", could be similarly labelled.

In Moscow, Mr Luzhkov has created a curious hybrid of west and east, which, nonetheless, has immense popular appeal. In 1996, Mr Luzhkov was re-elected mayor with 90 per cent of the vote, establishing him as one of Russia's strongest regional leaders and a promising presidential contender – in spite of his repeated denials that he has any designs on the Kremlin.

Mr Luzhkov clearly aspires to establish Moscow as a European city, playing up its rich cultural traditions and vibrant commercial history while touring western capitals to attract foreign investment. But Mr Luzhkov also celebrates Moscow's unique history as the "Third Rome", the heart of the Russian nation and the soul of the Orthodox faith.

On some occasions, Mr Luzhkov can sound the model of liberal democracy and international respectability. On others, he can strike a worryingly demagogic tone, condemning Ukraine's occupation of Crimea and Latvia's treatment of its minority Russian population. Human rights groups complain about Mr Luzhkov's rough-handed treatment of Moscow's own minority groups.



Winter scene: heavy snowfall in Red Square, Moscow AP

In spite of Russia's financial crisis, Moscow still impresses the visitor with the buzz of its commercial activity, its well-stocked shops, and its vast building projects. The critical question is whether the "Moscow miracle" can last long enough to help catapult Mr Luzhkov into the Kremlin.

Some economists argue that Moscow's success has largely been built on the country's economic failure and cannot last indefinitely. Russia's resources have been sucked out of the regions and concentrated in the capital turning Moscow into one "vast off-shore zone".

The financial crisis is now hitting the city harder than many other regions, given Moscow's dependence on financial services and retail trade. Before the crisis 80 per cent of Russian banking activity was conducted in Moscow. Now little more remains of the banking sector than an empty shell. The flood of foreign capital into the city has evaporated. The shrinkage of tax revenue (in US dollar terms) will force Moscow to restructure its foreign debts if it is to avoid a default. Moscow's opaque and incestuous variant of capitalism will leave it ill-equipped to face a modern, and increasingly competitive world.

Alexei Ulyukaev, deputy director of the Institute for the Economy in Transition, says Mr Luzhkov cannot possibly replicate Moscow's success on a national scale. "He can't do it. The Moscow government has been getting Rbs123bn every year from big companies that have their headquarters in the capital," he says. "If he becomes president, where is all the extra money going to come from?"

But Sergei Yastrzhembsky, the silver-tongued former presidential press spokesman who is now a deputy chairman of the Moscow city government, rejects such criticisms presenting a forceful defence of his master's achievements.

Mr Yastrzhembsky admits Moscow has many objective advantages as the centre of the country's government, science, transport, and finance. But he attacks the various "myths" that have grown up around Moscow's welfare as resulting from the deliberate disinformation of Mr Luzhkov's jealous rivals, the city's lingering reputation as the shop window of Communism, and sheer ignorance.

He argues there are many reasons for Moscow's success and these stem from the administrative talents of Mr Luzhkov and his team. "It is absolutely clear that Luzhkov created an economic model from his personal experience," he says. "But this experience is not only applicable to Moscow. It is experience that can be used on a national scale – although other regions have their specific factors which must be taken into account."

First, Mr Yastrzhembsky argues, Moscow appreciated the importance of developing small- and medium-sized businesses, which would create economic growth, jobs, and taxes. "Luzhkov created the conditions for the development of entrepreneurship. There are more than 200,000 small- and medium-sized businesses, one third of all those in Russia, providing between 30 per cent and 50 per cent of the Moscow budget," he says.

Second, Moscow privatised its municipal assets in a very different way from the rest of the country selling individual companies on a case-by-case basis rather than in a mass give-away. "Moscow did not sell assets for symbolic prices. The enormous property owned by Moscow is gradually being sold by tenders for real prices, providing 15 per cent to 16 per cent of the city budget every year," he says.

But Mr Yastrzhembsky accepts the financial crisis is having a severe effect on Moscow curtailing economic growth, undermining the city's credit rating, boosting unemployment, and scuppering several prestige building projects, such as the development of a Moscow Disneyland. However, he argues that Moscow has a plumper economic "cushion" softening social distress.

The next few months will prove vital for Moscow's fragile economy and Mr Luzhkov's chances of attaining higher office. Even though Mr Yastrzhembsky reiterates that Mr Luzhkov is not a presidential candidate, he does suggest Moscow's mayor is capable of playing a greater national role, accepting the description of him as a patriotic westerniser.

"Luzhkov does not hide the fact that Europe is the natural ally of Russia, a natural partner," Mr Yastrzhembsky says. "He is a patriot who believes in Russian traditions based in western values."

Yuri Luzhkov: Moscow's mayor is a promising presidential contender AP

BANKING by John Thornhill

Crackdown looms on troubled sector

The government's devaluation of the rouble and its default on domestic debts last year dealt banks a devastating blow

In a recent speech to a finance conference, Yevgeny Primakov, prime minister, finally promised to crack down on Russia's "banking bums".

The central bank would withdraw licences from troubled banks, he said, encourage mergers between weak financial institutions, and open up the market to foreign competitors. "Most important in the short term is to clean the banking sector of banking invalids, of half-dead banks, of the banking bums," he said.

Mr Primakov's speech was welcomed by Russia's bankers, foreign creditors, and the International Monetary Fund, who have all been pressing the government to take decisive action to tackle the country's crisis-torn banking sector. The only lingering question was why it had taken Mr Primakov's government more than six months to reach the same conclusion.

Russia's banking sector was dealt a devastating blow on August 17 last year when the government was forced to devalue the rouble and default on its domestic debts. The government's decisions rendered scores of Russia's 1,474 banks insolvent overnight as panicking depositors rushed to withdraw their savings.

Many of Russia's biggest banks, which held a large proportion of their assets in government Treasury bills, known as GKOs, had their assets wiped out following the debt default. Moreover, several of these banks had signed an estimated $6bn of forward dollar contracts, leaving them with a potentially massive exposure to the plunging rouble.

The more progressive Russian banks had also taken on large dollar-denominated syndicated loans and eurobonds, which suddenly became far more costly to service. A recent World Bank study estimated that 15 of Russia's 18 biggest banks remain insolvent.

The government attempted to buy the banks time to sort out this mess and reach agreement with their creditors by imposing a 90-day moratorium on the repayment of all commercial foreign debts. Instead, many bankers used the breathing space to transfer the remaining assets out of their banks into parallel structures leaving the liabilities to their depositors and creditors. This may have helped preserve a skeleton banking system but it has raised alarming questions about the integrity of the legal regime and destroyed the credibility of many of Russia's remaining banks.

Vladimir Potanin, head of Uneximbank, which was one of Russia's most powerful financial institutions before the crisis, argues that his bank had to find a way to continue servicing its clients without running the risk that their assets would be frozen by creditors. In Uneximbank's case, the bank transferred some of its accounts to the newly-created Rosbank, which is also in merger talks with Menatep and Most banks.

Mr Potanin says Uneximbank, which recently *defaulted on its eurobonds*, is currently being audited by KPMG to determine its outstanding assets and liabilities. On that basis, Uneximbank can then conclude debt restructuring talks with all its creditors.

"We were very disappointed that we were in a position not to fulfil our obligations in time," Mr Potanin says. "The only thing we have left is our reputation and we would not like to spoil it completely."

Uneximbank's creditors are anxiously watching how this process unfolds knowing that a lot depends on the goodwill of the bank's management. But it is clear that many other banks have been a lot less scrupulous than Uneximbank in observing the proprieties of restructuring their obligations.

Bank creditors have been discovering to their cost that Russia's legislation was simply not designed to address large bank failures. Until recently, there were no bankruptcy proceedings applicable to financial credit organisations.

A partner from a leading Moscow law firm points to the example of Inkombank, one of Russia's biggest banks which collapsed in the wake of August's financial crisis and had its licence withdrawn in October.

"There are 9,000 corporate creditors and 250,000 private depositors and the whole legal procedure is not set up to deal with such large bankruptcies," he says. "The bad news is that it is still a terrible mess and you still do not know what is going on."

Until the Russian banking industry is able to establish an effective deposit insurance scheme it will attract few retail savings. It will also be cut off from most sources of foreign borrowing until a workable legal regime can be created to protect creditor rights. That suggests the Russian economy will only grow anaemically in future. There will be no means of financial intermediation to turn short-term deposits into long-term industrial loans.

Enrico Perotti, professor of international finance at Amsterdam University and adviser to the Russian central bank, says the most important challenge is to establish fair and transparent rules of the game.

"Banking assets in Russia are only about 5 per cent of gross domestic product. Not only is that a pathetically small figure but a lot of those assets are still frozen," he says. "I think the first thing is to reconstruct the base of the pyramid and restore confidence in the banking system."

The Russian central bank has set up an Agency for Restructuring Credit Organisations (Arco) with help from the World Bank. But the agency has hardly begun to tackle the industry's many problems. Most big foreign banks, which would appear to be the only financial institutions trusted by the Russian population, have been badly burned by the financial crisis and appear reluctant to expand.

Mr Perotti says: "Until the ground is cleared and a lot of the rotting banks disappear then I do not think there is going to be much interest in Russia from foreign banks.

"But this is a country which is terribly disintermediated and if it finds its way then there will be a right moment to come back."

Mintimer Shaimiev: an important new political victory AP

A market in Kamaz, capital city of the autonomous republic of Tatarstan AP

TATARSTAN by Andrew Jack

A model republic

Tatarstan has achieved considerable independence from Moscow

Sitting in his trophy-lined office, Simon Yakubov, the head of the Kamaz truck racing team, has a snappy answer when asked whether it is the vehicles or the drivers which explain his company's many sporting successes. "A team without a truck can only run 200 metres. A truck without a team is just a heap of metal."

But for most of his colleagues in the vast 100 sq km Kamaz industrial complex around him in the factory town of Naberezhnye Chelny, participation in the global economy has proved rather more difficult. The 40,000-strong workforce is looking decidedly flabby, and the trucks well past their best.

Kamaz symbolises many of the problems of post-Soviet Russia, and the specific challenges facing the autonomous republic of Tatarstan, 1,000 kilometres to the east of Moscow on the Volga river, which has taken a distinctive approach to the difficult transition of the past few years.

Mintimer Shaimiev, the president, looks content and confident in his office in the Kremlin of Kazan, the capital city. In March, he scored an important new political victory which underlined the path he has forged during the 1990s of considerable independence from the government in Moscow. But the consequence has also been to give him an unusually important responsibility in coping with the economic slump.

Mr Shaimiev created a political crisis when he refused to sign a treaty in 1992 with the newly-created Russian Federation. "We said we must find a new way of constructing the federation," he says. "The division of powers should be by mutual delegation. But the treaty had been dictated by the will of the centre."

He managed to steer through the obstacles and negotiate better terms, agreeing a treaty with Moscow in 1994 granting Tatarstan considerable autonomy. It has since proved a model for other members of the Russian Federation. It was an outcome in sharp contrast to the only other region not to sign in 1992: that of Chechnya, site of a bloody war and the political stalemate that remains today.

While many argue that the situation in Tatarstan was never likely to escalate in the same way as in Chechnya, Mr Shaimiev maintains that the stakes were just as high. "The situation was very complex in 1991-92. Extremist nationalist forces gained the upper hand and called for separation. My name means 'made of iron' but I was called a coward. I warned that if you pronounced the word independence, you would have to accomplish it. I said we had to think about the consequences and we should conclude a treaty."

Now Mr Shaimiev has managed to renew for a further five years the 13 detailed agreements governing relations between Tatarstan and the Russian Federation – on matters including revenue-sharing. It is a notable achievement at a time when Yevgeny Primakov, the prime minister, has indicated his preference for a recentralisation of power by directly appointing regional governors instead of electing them.

"Tatarstan is a donor republic. It gives much more than it receives," says Mr Shaimiev. "If Russia did not prolong the treaty, our parliament would have refused to contribute to the central budget. I would not have liked to approve this scenario. The Tatars are the second largest group in Russia. We don't like to say it, but we know it – and so does Moscow."

Mr Shaimiev's firm rule has been characterised by another trait: what he dubs the "soft entry" into the market, with Tatarstan maintaining much of its property in state control. "We are a country that had many monopolies," he says. "I believe change should be done gradually."

It was a policy that helped it to avoid some of the worst excesses of post-Soviet privatisation, in which control was rapidly assumed by managers or outside investors, with employee-shareholders pushed to one side and money siphoned off.

Most notably, Tatarstan maintained control over the considerable wealth of Tatneft, the regional oil monopoly, which has bankrolled the state's finances. Last year, the government even propped up its own budget by on-borrowing $300m from the company – which had negotiated more favourable credit terms than the government itself.

But with the sharp drop in oil prices in recent months, an important source of income is drying up. And state control or influence over many other enterprises in the past few years has limited the degree of restructuring that has taken place, making the transition today even more tough.

Kamaz, for instance, has been open to minority foreign investment since the middle of the 1990s, but has consistently failed to undertake sufficient adjustment to make it profitable. It is now desperately seeking new joint venture partners and a renegotiation of its debts.

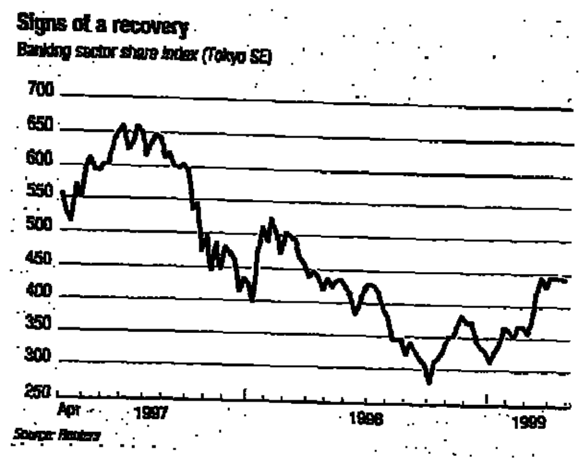
Mr Shaimiev, who describes himself politically as a "centrist", says that at a time when Russia is strengthening the involvement of the state – partly as a backlash to the excesses of sell-offs in the past few years – Tatarstan is going in the opposite direction.

But it is beginning to consider launching a new range of privatisations – such as that of the energy monopoly Tatenergo – just when domestic interest is low and foreign investors have been scared away in the wake of last August's crisis. Tatarstan has long performed well compared to other parts of the Russian Federation, but its victory is far from assured.

JAPAN by Gillian Tett in Tokyo

Moody's delivers some cheer

The rescue of the Japanese banking system has finally begun in earnest and the outlook is 'stable'



During the past year, the word "Moody's" has provoked unease in Japan's banking world. For, as Japan has teetered on the edge of a financial crisis, the country has suffered the humiliation of watching rating agencies such as Moody's repeatedly downgrading the large Japanese banks.

This month, however, the rating agency has suddenly delivered the banking sector a spot of cheer. On April 21, Moody's announced that it finally considered the outlook for Japan's banks to be "stable", following the decision by the government to create a Y60,000bn banking reform package last autumn.

"The rescue of the Japanese banking system has finally begun in earnest. It appears coherent and a full-blown banking crisis has been averted," Christopher Mahoney, Moody's managing director for sovereigns and banks, said.

Cynics might argue that this statement simply reflects what the markets have already decided. The share price of the banking sector, for example, has recently surged, and the Japan premium – the extra price which Japanese banks need to pay to raise dollars in international markets compared to their US and European counterparts – has plunged.

But the crucial question now, as Japan embarks on a new financial year, is whether this cheer is justified. During the past year Japanese banks have slashed lending to Asia, particularly to non-Japanese borrowers, in a desperate attempt to boost their capital adequacy ratios. They have also trimmed their domestic loans sharply: the bank net lending balance has showed annual declines of around 4 per cent in recent months. And if this trend continues, it will continue to act as a broader dampener on regional economic growth, however high the banking shares actually rally.

As one western banker with extensive exposure to Asia says: "The Japanese banks have rushed to cut their loans in Asia. What we are all wondering now is whether they are coming back in a meaningful way."

In the short term, the answer would appear to be "no". For thus far the Y60,000bn banking package has done little more than stave off a financial crisis. What has not yet occurred is the type of dramatic shake-out in the sector which could actually deliver vibrant – and confident – banks able to compete effectively on the global stage. And though optimists hope this will come soon, this second task could take years to actually bear fruit.

The reason for this is that Japan's banking problems contain several inter-related strands. When the Japan premium first surged in November 1997, it was largely blamed on the vast pile of bad loans that the banks had accumulated after the 1980s' bubble burst. But this actually told only part of the tale. For the existence of bad loans had, after all, been broadly suspected for years.

In practice, what most alarmed agencies such as Moody's was that the government's policy to the sector seemed unclear. For, after initially pledging to protect the largest banks, Hokkaido Takushoku, a "city" bank, was allowed to fail in November 1997. And, since the government did not have the funds in place to protect depositors or creditors from another failure, Japanese banks suddenly posed a dangerous risk.

This spring, however, the government has shown that it is committed to protecting depositors and creditors if a bank fails. The Y60,000bn package, for example, includes Y17,000bn of funds to guarantee deposits, and Y18,000bn to nationalise weak banks. It also includes Y25,000bn that can be used to expand the capital bases of banks to enable them to write off bad loans, of which Y7,450bn was distributed in March 1999.

This safety net is not limitless: since the government insists that it will end in 2001, there is considerable uncertainty how loans will be treated after this date. But in the short term the safety net has reassured the markets. Furthermore, it is also encouraging the banks to implement more reform. In fiscal 1998, for example, the banks are expected to write off around Y10,000bn of bad loans, and implement a wave of restructuring plans.

However, this restructuring and bad loan write-off programme still appears to be too little, too late. One reason is that more bad loans are expected to emerge this year, since the Japanese and broader Asian economy remains weak. Another problem is that most Japanese banks still seem to be far too optimistic in their assessment of their current bad loans: although the government is forcing them to make provisions for 15 per cent of their so called "category two" bad loans to suspect borrowers, this appears to be too low.

"There seems to be little doubt that there will be a second round of public funding for the banks," says James Fiorillo, analyst at ING Barings, who estimates that another Y16,000 of public funds and Y3,000bn of operating profits will be needed over the next two years to allow the banks to write off their bad loans.

But the other essential problem is that the restructuring plans unveiled by the banks still appear to have the wrong focus. Most have trumpeted large cost cuts: the number of employees, for example, is likely to be cut by around 15 per cent in the next three years.

However, the cost bases of many banks have not been the biggest problem, since it is already relatively small, compared to their western competitors. Instead, the fundamental problem has been the banks' appallingly low return on equity – and, above all, their poor revenue base. And this, in turn, stems from the the fact that too many banks have been chasing similar forms of lending business.

"The key medium to long-term challenge of the Japanese banks is to increase revenues – cost-cutting, while it improves the bottom line, does not address the system's core weakness," argues Stephen Long analyst at JP Morgan in Tokyo.

The banks are making some limited attempt to address this. Capacity is slowly being reduced through mergers: Yasuda Trust, for example, is likely to merge with Fuji next year. The banks are trying to develop a clearer business focus. Some, such as Daiwa, have withdrawn from overseas lending. Others, such as Industrial Bank of Japan, are now trying to create an investment banking focus.

However, such moves are still painfully slow by Anglo-Saxon standards, and mean that it could be years before the banks return to real profitability. "I don't think you can say the banking problems are over," admits Yutaka Yamaguchi, deputy Bank of Japan governor in an unusually frank comment. "I still expect to see much more restructuring soon."

KOREA by John Burton in Seoul

Clean-up of troubled sector not yet complete

After sweeping reforms the banking system still has a long way to go before its problems are resolved

South Korea has made mighty strides in cleaning up its troubled banks, but analysts believe more still needs to be done if they are to survive and prosper.

"The Korean banking system has a long way to go before its problems are anywhere near to being resolved," said Damien Wood, of Barclays Capital in Hong Kong.

In the aftermath of Korea's financial crisis in late 1997, the International Monetary Fund demanded sweeping financial reforms in return for a $58bn rescue package. Korea's swift response has earned it accolades as being the most aggressive among eastern Asia's battered economies in sorting out the banking industry.

The government has allocated Won64,000bn to recapitalise troubled banks, buy bad loans and protect depositors. Stricter reporting standards forced the banks to disclose Won128,000bn in non-performing loans, nearly 30 per cent of the gross domestic product.

Five of the biggest banks have been temporarily nationalised, while 10 of the nation's 27 commercial banks have disappeared through mergers. The number of bank workers has been cut by a third as the nation's network of branch offices is pruned. A new generation of managers has replaced those blamed for bringing the banks close to collapse.

Perhaps most importantly, the government has opened the banking sector to foreign investors, who will provide desperately needed competition and innovation in terms of sophisticated management skills and advanced information technology.

An investment fund led by Goldman Sachs, the US investment bank, recently became the largest shareholder with a 17 per cent stake in Kookmin Bank, Korea's biggest retail bank, in a $500m deal. Germany's Commerzbank has acquired nearly a third of Korea Exchange Bank. HSBC Holdings and Newbridge Capital, a US investment firm, have agreed to buy respectively SeoulBank and Korea First Bank, two nationalised banks.

Another sign of improved foreign sentiment was the recent success of Shinhan Bank in raising $400m through global depositary receipts, the first overseas direct financing by a Korean commercial bank since the 1997 financial crisis. Other banks are preparing to tap overseas markets for funds.

Nonetheless, analysts remain cautious about the banking sector. One reason is that the amount of bad loans is likely to grow. "All governments, when confronted with a banking crisis, have underestimated the size of non-performing loans. Korea is no exception," said Sri-Ram Aiyer, the World Bank representative in Seoul.

Korea's Financial Supervisory Board (FSC) estimates that non-performing loans amounted to 7.4 per cent of outstanding loans at the end of 1998 after the government's Korea Asset Management Corp purchased bad assets from the banks. But Yong Han, banking analyst at SG Securities in Seoul, estimates the actual ratio is still more than 20 per cent, once precautionary loans are included.

The full extent of the problem is expected to become apparent this year as Korea's leading conglomerates, or chaebol, undertake restructuring to reduce their debt/equity ratio to 200 per cent by the end of 1999 in response to state pressure.

HSBC Holdings has agreed to buy troubled SeoulBank AP

Struggling to meet the debt reduction target, the chaebol "are likely to demand concessions from creditors who will be forced to make compromises", including debt-for-equity swaps and debt restructuring, said Mr Han. The result will be that "the banks will be left holding the worst stocks. Good companies with strong cashflows and earnings have little incentive to convert debt to equity. Only the bad ones do."

More loans are expected to go sour as companies, protected under a "work-out" programme, go bust. The banks last year agreed not to foreclose on bad loans for "good" companies suffering from short-term cashflow problems due to the economic recession in the hope that they would recover soon. But FSC officials now concede that some of these companies are still likely to fail.

This will worsen the problems at the nation's biggest banks, which concentrated on lending to the corporate sector. They include Korea First, Chohung, SeoulBank, Korea Exchange and Hanvit, the last formed by a recent merger between Hanil and Commercial Bank of Korea.

The issue of hidden bad loans has delayed the takeover of Korean banks by Newbridge Capital and HSBC Holdings. Newbridge is seeking a reduction in the value of some questionable loans held by Korea First. This would force the government to make a new capital injection into the bank after it provided Won1,500bn last year to save it from collapse.

Meanwhile, one HSBC executive cautioned that its proposed takeover of SeoulBank "is by no means a done deal until we complete due diligence". The failure of either deal to be concluded would be a serious blow to bank restructuring.

In contrast to the troubled big banks, other banks that have concentrated on retail banking or lending to small businesses are in better shape because of their limited exposure to the debt-heavy chaebol.

Healthy banks such as Kookmin, Shinhan and Housing & Commercial have better credit analysis skills than the other commercial banks, which were often forced to lend to companies favoured by the government.

It is these banks that are expected to dominate the industry in the future. They have the management expertise to exploit the shift from corporate lending to consumer-oriented retail finance as the chaebol reduce their dependence on bank loans in favour of direct financing in the equity and bond markets.

THAILAND by Ted Bardacke in Bangkok

Institutions are suffering an identity crisis

Thai banks have essentially become asset management companies – and undercapitalised ones at that

In Thailand, commercial banks have ceased to be banks, at least in the traditional sense of the definition of a financial institution that takes deposits, lends money and makes money on the spread between the two.

Despite lending rates lower than those before the country's economic crisis hit nearly two years ago, net credit extension continues to decline. Deposits – also subject to historically low rates – are plentiful but are slowly being recycled into higher yielding instruments such as bank bonds coupled with preference shares, corporate bonds and the stock market. Even with a five percentage-point gross margin between deposit rates and lending rates, with 46 per cent of all loans non-performing, net interest spreads at most banks are zero or negative.

Instead, Thai banks have essentially become asset management companies – and undercapitalised ones at that. Most energy is devoted to recovering bad debt, making sure good debt does not go bad and ensuring that there is enough capital to absorb the inevitable write-downs.

"With near 50 per cent non-performing loans, we submit that banks are using tremendous resources including precious management time to clean up their portfolios. In such an environment, is it realistic to expect bank managements to be thinking strategically about the future and new business generation?" asks Merril Lynch Patra Securities in a recent report.

The rest of the year will determine if Thai banks – and hence the overall economy – can return to some semblance of normality. There is now a plausible legal framework in place, a supportive and at times forbearing regulatory regime and a heavy dose of government spending that should boost domestic demand and could therefore turn bad loans into good ones and keep good borrowers solvent.

The owner-managers of banks must do four crucial things if they are to avoid being wiped out in another round of quasi-nationalisation by the government.

First and foremost, debt restructuring must be accelerated. In March, the Thai government won a bruising and drawn-out battle to overhaul legal regulations dealing with bankruptcy and foreclosure, an overhaul that bankers said was necessary to encourage debtors to sit down at the restructuring negotiating table.

In addition, recent inter-creditor and debtor-creditor agreements on procedures and deadlines for restructuring negotiations add teeth to the new legal framework. Banks should no longer have any excuse for delaying debt work-outs and should be prodded along by the sale later this year of three recently nationalised banks, probably to foreigners who have more experience with corporate restructuring.

Second, banks must stop the growth of "strategic" non-performing loans whereby borrowers who have the means to pay simply do not. And generous terms in debt work-outs can complicate the issue.

"Those who can afford to pay but won't pay have told those who are servicing their debts that they are being stupid in being good, well-behaved customers," Banthoon Lamsam, president of Thai Farmers Bank and chairman of the Thai Bankers Association said in a recent interview.

"There is a growing question over what reward society is offering the good bank customers... and that's dangerous," said Mr Banthoon.

'Deposits are plentiful but are slowly being recycled into higher yielding instruments such as bank bonds'

"Good debtors may get the minimum lending rate for loans. But bad borrowers tend to get better offers through debt restructuring. Under current social norms, bad debtors don't get a bad name."

Third, if as a result of government economic stimulation the economy starts to pick up, banks have to start taking risks and lending again. "Will there be sufficient bank loans to meet companies' financing needs as the economy reflates?" asks David Proctor, head of the Foreign Bankers Association in Thailand.

Answers Mr Banthoon: "Banks are ready to provide loans to manufacturers with feasible projects."

But increasingly those companies with bright prospects are turning to the bond market for credit. Thai Farmers Bank estimates that between Bt40bn and Bt70bn of corporate bonds will be issued this year, more than 10 times last year's level. So, fourth, banks must fight the disintermediation trend with innovative and unprecedented lending plans.

If these tasks cannot be completed quickly then the government is likely to be forced to revise its current financial institutions assistance plan whereby banks can receive an injection of capital from the government if they make heavy upfront provisions.

That plan has so far found few takers because banks would have to write down existing shareholders' equity upfront. "With most private banks consisting mainly of owner-managers, this means effectively asking the owner to give up his bank now without trying any other avenues first," says Kenneth Ng, banking analyst at ING Barings in Bangkok.

If the government chooses another tack, and some within the administration are already advocating one, it is likely to turn to a scheme similar to those in Malaysia and Korea where the government buys a portion of the banks' non-performing loans.

Tarrin Nimmanahaeminda, finance minister, does not like this idea. He wonders how the government would raise the money needed to make the purchases and how it would arrive at a high enough price for those purchases to allow the banks to maintain adequate capital but low enough to be fair to taxpayers.

Mr Ng suggests that the government could take majority stakes in banks' asset management subsidiaries with a condition that the banks must buy back the stake at a premium in the future.

"The only problem with such a bail-out scheme is that it could be very sensitive politically. Given the alternatives we believe that this path will be taken in the end and that it is just a matter of time before it is embarked on," Mr Ng says.

SINGAPORE versus HONGKONG by Edward Luce

Intercity rivalry intensifies

Singapore's objective is to supplant Hong Kong as the premier financial centre in the region

Hong Kong and Singapore have long been held up as contrasting models of free market versus state-directed capitalism. However, many have started to question this view in the light of the city states' differing responses to the Asian financial crisis.

Officials in Singapore, which has been much less badly affected by the crisis than its rival, have sought to make capital out of the perception that Hong Kong has tarnished its free market credentials in the past year or so.

The city state's strong intervention in the stock market last August to forfend speculative attacks against the Hong Kong dollar has left the HK Monetary Authority (HKMA) in the embarrassing position of owning almost 10 per cent of the market. This, coupled with a number of bankruptcies or near bankruptcies among Chinese international trading and investment corporations (the so-called "Itics"), many of which are listed in Hong Kong, have raised question marks over the city state's links to China.

Suspicions about Hong Kong's commitment to the free market have been fortified by the HKMA's repeated calls at global forums for direct regulation of hedge funds.

In contrast, Singapore has been loudly proclaiming recent moves to deregulate its financial markets even to the extent of inviting hedge funds to choose Singapore as a regional base for their operations. Is this simply good, old one-upmanship? Or is there substance to the view that Singapore represents a threat to Hong Kong's primacy as a regional financial centre?

Few bankers in Asia would dispute the view that Singapore has taken big strides to make itself more attractive to financial investors in the past 18 months. The Monetary Authority of Singapore (MAS) has unveiled a number of big tax incentives to persuade foreign banks to set up their regional or operational headquarters in Singapore. The drive has been underlined by the appointment 18 months ago of Lee Hsieng Loong, deputy prime minister, as head of the MAS – the most senior official to take the post.

Although he downplays rivalry with Hong Kong, Mr Lee has made it plain that Singapore's objective is to supplant Hong Kong as the premier financial centre in the region. Singapore plans to achieve this through a series of initiatives.

First, the city state hopes to attract more foreign fund managers by dangling the carrot of the S$80bn managed by the Central Provident Fund (CPF). Individuals can outsource management of their savings to tax-exempt or low-tax vehicles managed by the private sector, including foreign portfolio managers.

Restrictions on where these savings can be invested have been relaxed. And tax incentives have been offered for fund managers to operate in Singapore. Asset managers have welcomed the measures but few believe they will prove decisive in determining where funds are located.

Others point out that Hong Kong is launching a similar compulsory savings scheme – the Mandatory Provident Fund (MPF) – which will match the CPF within a decade or so. It will also be outsourced to the private sector. In addition – as public funds – there will be little opportunity for asset managers to make big margins.

"Fees will have to remain very low on CPF and MPF funds for political reasons so it doesn't set our pulse racing," said a senior US investment banker in Hong Kong.

Second, Singapore is taking strides to improve the efficiency of its stock and derivatives markets. The Stock Exchange of Singapore (SES) and the Singapore International Monetary Exchange will demutualise later this year before merging. In addition, Simex will join Globex, the global derivatives alliance which also includes Matif of France and the Chicago Mercantile Exchange. Its participation in the first genuinely 24-hour global derivatives trading system will be accompanied by the launch of new derivatives products based on regional markets.

Simex has already launched index products based on the Hong Kong, Taiwanese and Thai stock markets. Again, however, Hong Kong has reacted quickly to Singapore's initiatives unveiling plans earlier this year to merge the HK Stock Exchange with the HK Futures Exchange.

In addition, Singapore's controversial contract based on the HKSE has been a flop while plans to launch a similar product based on the Kuala Lumpur index have had to be postponed owing to Malaysia's decision to impose capital controls on foreign investment.

Investors are sceptical about the effects of the merger on the SES which, in contrast to Hong Kong, remains dominated by share listings of relatively illiquid government-linked corporations.

Third, Singapore has attempted to stimulate the development of a domestic bond market by extending the government yield curve to 10 years and permitting foreign issuers, such as the Nordic Investment Bank and the European Bank for Reconstruction and Development, to swap Singapore dollar proceeds into US dollars. By relaxing tight controls on the Singapore dollar, Singapore hopes to highlight the contrast with Hong Kong where paranoia over the stability of Hong Kong's currency board has led to the discouragement of the development of a liquid currency swaps market.

Hong Kong has not followed Singapore in offering tax incentives to foreign banks to lead-manage domestic bond issues. "We are not prepared to subsidise Hong Kong's development as a financial centre because this would distort the allocation of resources," said Joseph Yam, head of the HKMA.

Singapore's ambitions have undoubtedly been boosted by Malaysia's decision to impose capital controls on foreign portfolio investment and Thailand's economic woes. This leaves Singapore as the only viable financial centre for south-east Asia. The city state has also boosted its credibility by adopting a lighter regulatory touch – moving from "regulation to supervision" of the banking sector, according to one MAS official. However, bankers say the city state faces an uphill task in establishing a thriving financial market.

"Singapore is a great service centre for foreign banks but does not yet have a genuine financial trading culture," said one. "It is easy for Singapore to make dramatic gestures because it is a very highly regulated economy. Hong Kong can't really do this because it is already a free market."

Others point to the longer-term need for the two city centres to co-operate even to the extent, perhaps, of launching a joint trading platform for the two stock exchanges. Either way, Singapore's aggressive tactics have had a tangible effect on Hong Kong.

"Hong Kong can't afford to be complacent because it is facing competition," said one Hong Kong official. "We think there is plenty of room for two financial centres. And we welcome competition: it keeps us on our toes."

Towering Hong Kong banks: the city state cannot afford to be complacent as the competition from Singapore increases AP

MALAYSIA by Sheila McNulty in Kuala Lumpur

Go-it-alone plan to restructure banks

The government has made an effort to recapitalise institutions, but bankers remain unconvinced that their problems are over

While other countries in the region have sought outside help in restructuring their banking sectors, Malaysia has chosen to go it alone.

The government has estimated it will need M$16bn to recapitalise the banking system and M$15bn to purchase its non-performing loans (NPLs). Although banking analysts believe the authorities are being overly optimistic in their estimates of the amount of money that will be needed, they note Malaysia has been creative in obtaining access to much more than those amounts.

The government established an asset management company, Danaharta, to buy the non-performing loans (NPLs) from the banking system and a special purpose vehicle, Danamodal, to recapitalise the institutions. As at March 15, Danaharta had purchased and was managing M$21.7bn in NPLs from the financial system, of which M$15.1bn were from the banking system. These NPLs accounted for 20 per cent of banking system NPLs at the end of 1998. Danamodal had injected capital into 10 banking institutions in the form of loans amounting to M$6.15bn, increasing the risk-weighted capital ratio (RWCR) of the banking system from 11.2 per cent as of the end of June 1998 to 11.9 per cent at the end of January 1999.

To fund these efforts, Gan Kim Koon, banking analyst at SG Securities, noted that by early January Malaysia had received US$8.572bn in lending commitments from foreign sources, ranging from the 12 foreign banks based in Malaysia to the Overseas Economic Co-operation Fund through the Miyazawa Plan, to the World Bank. And he calculated that it had M$250.7bn in total resources available locally from sources ranging from the national pension fund to the national oil company to the armed forces fund.

"The big question of how Bank Negara Malaysia (the central bank) was going to fund its reform efforts should no longer be an issue with Malaysia having secured sufficient funding through foreign borrowings and the use of clever methods to raise funds from domestic available sources," Mr Gan said.

But the heads of the institutions remain unconvinced that their problems are over. They refused to respond late last year to threats to sack the heads of financial institutions that did not meet 8 per cent annual loan growth by year's end. Total loans of the banking system declined by 1.8 per cent in 1998. And this year bankers are resisting pressure to lend to small and medium-scale industries. Many of them remain wary of getting themselves back into trouble.

The banking system went into the regional financial crisis with domestic debt at 170 per cent of gross domestic product, which economists said was the highest ratio in south-east Asia and one of the highest in the world. And that made it highly vulnerable to last year's recession.

The sector recorded a pre-tax loss of M$2.3bn in 1998, swinging from a pre-tax profit of M$7.7bn in 1997. And the institutions are still overextended. Total banking system loans amounted to M$413.6bn at the end of 1998, or M$426.7bn including non-performing loans sold to the government's asset management company.

But the authorities are desperate to revive an economy that contracted 6.7 per cent last year, after recording 7.7 per cent growth in 1997. And getting banks to lend is the best way they see of doing that. Analysts suspect that is the motive behind an announcement in March to review the performance of bank directors and chief executives periodically.

Moody's Investors Service noted in a recent report, however, that "the Malaysian government's attempts to revive economic growth by instructing banks to lend more will only lead to additional loan losses". And, beyond that, analysts say, is the risk that the errant bankers who have been rescued by the government's NPL purchasing and subsequent recapitalisation efforts will eventually get over their fears of lending and set themselves up for another crisis.

INDONESIA by Sander Thoenes in Jakarta

Gordian knot is slowly being unravelled

Commercial banks have signed recapitalisation contracts to ease liquidity

After more than a year of half-measures and delays, Indonesia has finally started untying the Gordian knot of declining liquidity and mounting debt that has paralysed its financial system.

Owners of nine commercial banks signed recapitalisation contracts with the government on April 15, pledging to put up 20 per cent of the required capital injection in return for an injection of government bonds equal to 80 per cent. The recapitalisation of Bank International Indonesia, Bank Lippo, Bank Bali and six smaller banks, totalling Rp21,300bn, would bring their capital adequacy ratio back to 4 per cent, from current negative rates.

Bank owners pledged to bring this ratio to 8 per cent by 2001, in part by repaying loans to affiliates, often well in excess of the legal lending limit of 20 per cent. Non-performing loans will be transferred to a government Asset Management Unit.

In addition to the nine commercial banks, Indonesia plans to inject similar bonds into seven large state banks, 11 nationalised commercial banks and 14 regional banks. The cost target was Rp300,000bn, plus interest, but bankers expect the total to exceed Rp500,000bn as bank assets have rapidly deteriorated while the central bank delayed the recapitalisation for months.

The injection of capital and bonds is designed to stem the decline in liquidity, caused by a sharp jump in interest rates and a rush on the banks since August 1997, which left banks paying out higher deposit rates than they earned on central bank paper. A nationwide liquidity crunch caused loan portfolios to deteriorate to such an extent that bankers now believe more than 80 per cent of all outstanding loans are non-performing.

"The whole country lives on IOUs," one European banker in Jakarta said. "Nobody pays anyone."

Although this stand-off has enabled companies to keep running on cashflow, it has blocked them off from any new foreign or domestic loans. Exporters, which often would be able to pay their dues, have been unable to get letters of credit from local banks or confirmation from international banks, causing exports to drop.

Bankers and economists in Jakarta said the recapitalisation and restructuring programme would slow down but not halt the slide towards illiquidity, because it would inject too little liquidity into too many banks, while failing to address the mounting domestic and foreign debt overhang.

"It's an accounting trick," one western banker said. "It's just buying time. More banks have to close, there has to be a forced consolidation of the industry."

Such harsh judgments were based on the government's stated intention to offer bond interest rates that were well below the market rate, currently around 35 per cent. This would leave banks with bonds they cannot sell, earning them only interest and the cash injections from the owners while the negative spread between deposit and central bank rates would continue to eat up capital.

Indonesia cannot afford market rates but officials indicated in mid April that they would get much closer to the going rate than they had stated earlier. Government advisers said the government was likely to choose a rate that would be high enough for bonds to be marketable if interest rates would continue to go down.

Economists say this could work if the government also pushed ahead with debt restructuring. The Indonesian Bank Restructuring Agency has already taken on Rp200,000bn in loans, most non-performing, from state banks and banks it has shut down or nationalised. It has been given legal powers to seize collateral or assets without a court order but it also faces a political hurdle as many of the worst debtors are relatives and associates of former president Suharto and several current cabinet members.

CHINA by James Harding in Shanghai

Warning shot to sector

Gitic's closure illustrates the "damned if you do and damned if you don't" dilemma of China

China has done in the past year to address some of the problems in its financial sector. It has streamlined the central bank's regional organisation; introduced a more accurate and transparent system of asset classification; and established the first asset management company to repackage and sell bad debts.

But, this progress has been eclipsed for many international bankers by a more striking change to China's financial landscape – the collapse of Guangdong International Trust and Investment Corporation (Gitic).

Gitic's closure has illustrated the "damned if you do and damned if you don't" dilemma that China and other emerging economies face in coming to grips with a troubled financial system.

On the one hand, the closure of Gitic, a badly managed investment company with underperforming assets, excessive foreign borrowings and facing an increasingly acute liquidity crisis, was a necessary step. On the other hand, the sudden decision to shut down one of China's best known finance companies and largest international borrowers, regardless of Beijing's worthy intentions, caused at least a short-term crisis of international confidence in Chinese creditworthiness.

Zhu Rongji, the Chinese prime minister widely thought to be behind the move to shut down the company, was applauded for administering the painful medicine to reform the financial sector.

The failure of Gitic was a warning shot to the rest of the state-owned financial community, particularly the 239 other trust and investment companies known as the Itics, that in troubled times they could not always count on the government to come to the rescue.

As the Asian financial crisis unfolded, China had seen the cost of incompetence, cronyism and, in South Korea in particular, the danger of the unchecked growth of unregistered foreign borrowings. And, with the closure of Gitic, Beijing moved to bring wayward financial companies to heel.

But, foreign bankers were rattled. Gitic was the investment arm of the government's most prosperous region, the southern province of Guangdong. The company had outstanding debts of more than $4.3bn, mostly owed to international creditors. As a provincial government-owned institution, Gitic's interests spread through large areas of southern Chinese business, acting as guarantor of infrastructure projects and developer of large tracts of real estate.

Gitic was representative of the kind of financial institution with which hundreds of foreign banks and investors had long been accustomed to doing business – a government-backed financial institution whose commercial exposures were mitigated by the pledge of state backing, i.e. quasi-sovereign risk.

In the aftermath of Gitic's administrative closure in October last year and once again when the company filed for bankruptcy in January, overseas creditors found the comfort letters and commitments of support from the provincial government were – as they had been told by central bank officials in the past – worthless.

The lesson should be clear to foreign lenders. Xiang Huaicheng, finance minister, said: "The foreign bankers themselves should look really carefully at these loans."

Having judged the loans strictly on their commercial merits, many foreign bankers moved sharply into retreat. From the headquarters of a number of German and Japanese banks, an order came to stop all new lending to Chinese borrowers. Other smaller banks have sought to call in loans, activating technical default clauses. The Royal Bank of Canada has closed its offices in Shanghai.

The resulting credit squeeze has added to the strains on a number of corporate borrowers, particularly the the Itics. But, the crisis of confidence has been limited. Foreign lenders, which may become more commercially rigorous in China as a result of the Gitic experience, have made a distinction between the non-bank financial institutions on the fringes of the financial sector and the main state banks at the core of China's economy and social stability.

This month, the Gitic saga is moving closer to resolution. And, the dilemma of banking sector reform is leaving deeper marks on China.

First, Beijing appears to have been struck by the strength of foreign reaction to the Gitic closure and has suggested that it will tread more gently in handling troubled financial institutions. Rather than forcing the closure of other indebted Itics, central bank officials are looking to restructure the sector through mergers and acquisitions.

Second, foreign banks are taking a more circumspect attitude to China risk, but clearly retain an underlying interest in the long-term development of the market. Rather than pulling out of China, banks are taking a more scientific and commercial approach to lending decisions and foreign lenders are distinguishing the greater risks at the fringes of the financial sector from the more reliable institutions.

Third and most important, the Gitic experience has underlined the need and the delicacy of the reform process in the core banking sector. The extent to which things had gone astray at Gitic as well as the fall-out among foreign creditors when the company was closed has served as an ominous warning.

PRIVATE EQUITY by Peter Montagnon

Money flows in but deals are held up

It has proved hard to match expectations of buyers with those of sellers who are still reluctant to accept fire-sale prices

When South Korea put two state-owned banks up for sale last year, most people expected they would go to established international banks looking for a toehold in a new, and potentially lucrative market. In fact, the first deal to be struck – for Korea First Bank – was not with a bank at all, but with a consortium led by Newbridge Capital, a private equity house based in the US.

The Newbridge deal has proved controversial and negotiations on the small print have involved some fierce arguments over how much the government should stump up to cover possible losses in the bank's loan book.

But, though it is large and high profile, the deal and the difficulties in implementation are typical of the opportunities in private equity and venture capital that are slowly opening up in Asia in the wake of the regional economic crisis.

The idea that the crisis would see a flood of distressed assets up for sale as entrepreneurs struggled to meet mounting debt burdens seemed to promise an immediate boost to private equity business as the crisis broke in 1997. In fact, while the specialists, known pejoratively as "vulture funds", still hover in keen anticipation, deals across the board have been slower to complete than many expected.

Money from institutions is still flowing in. According to the Hong Kong-based Asian Venture Capital Journal private equity funds raised for investment in the region last year totalled $5.05bn. This was down substantially on the $5.9bn raised in 1997, but it still marked the fifth year in a row that fund flows have exceeded $5bn, and is more than double the amount at the start of the decade.

The bigger difficulty has been in finding assets to buy with all this money. It has proved hard to match the price expectations of buyers with those of sellers who are still reluctant to accept fire-sale prices. "Bottom fishers are fishing furiously at the bottom. The people selling don't want to give it away," says Rhoddy Swire, chairman of the London-based Pantheon Group.

Also, the continuing lack of strong bankruptcy laws in many countries means even owners of insolvent businesses are not being forced to sell because their bankers have no means of imposing foreclosure.

There is still a cultural divide in matters such as transparency, control and documentation, adds Roger Marshall, executive director of Crosby Asset Management in Hong Kong. This calls for a new approach in matters such as control, with possibly a more "hands-on" role for investors, he says. With larger funds entering the market, the average size of deals, traditionally about $10m, has been rising. Only a few, such as the recent purchase by Lazard Asia of a large stake in Sing Tao, which publishes the Hong Kong Standard, attract much publicity. And many deals are still on the small side for large US institutions used to investing $50m at a time.

Some bankers say the best route for big investors may be to buy distressed bank debt in government auctions as GE Capital, the financial services arm of General Electric, has done in Thailand. But GE Capital has itself been building a sizeable financial services business in Asia, and other bankers say there are good deal opportunities for those with the patience to hunt them out.

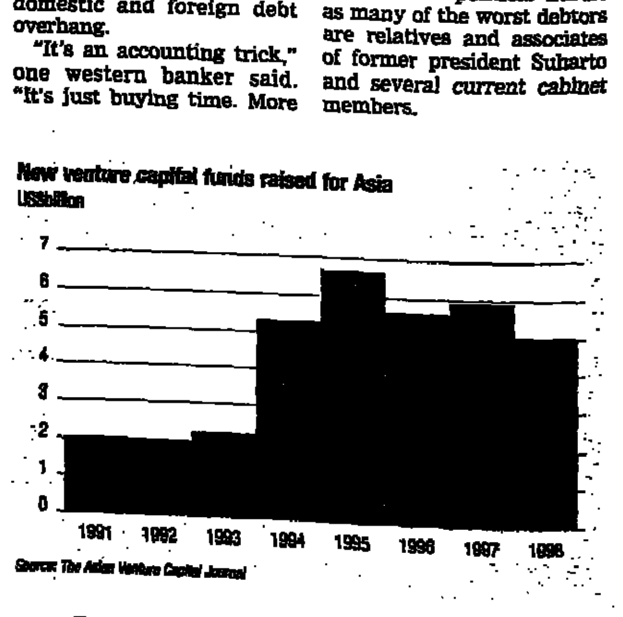
Over the past year some of the best such opportunities have been in Japan and South Korea offering some of the best opportunities. The key remains relationships, says Simon Murray, the former Asian head of Deutsche Bank, who launched a fund of up to $500m last year with partners including GE Capital and Mitsui. Some $200m has now been raised and Mr Murray expects the total to reach around $300m by the time subscriptions close in June.

So far the fund has made three investments totalling around $60m in a Japanese telecommunications company, a Chinese natural resources company and a Hong Kong property concern. For Mr Murray that represents a reasonable deal flow. For others it might seem a little slow. One problem for the larger houses is that their hasty approach and lack of connections in Asia has tended to put potential sellers off, bankers say. Another remains the uncertainty over exit routes.

"To the extent that private equity has a single problem, it is the lack of a viable exit," says Dan Schwartz, publisher of the Asian Venture Capital Journal. Asian stock exchanges are neither big enough nor deep enough to absorb truly large transactions.

With only faltering recovery at best expected in Asia, and the acute need for the business and banking sector to recapitalise, however, the chances are that buyers and sellers of distressed assets will face increasing pressure to conclude deals.

New venture capital funds raised for Asia
US$billion



Source: The Asian Venture Capital Journal